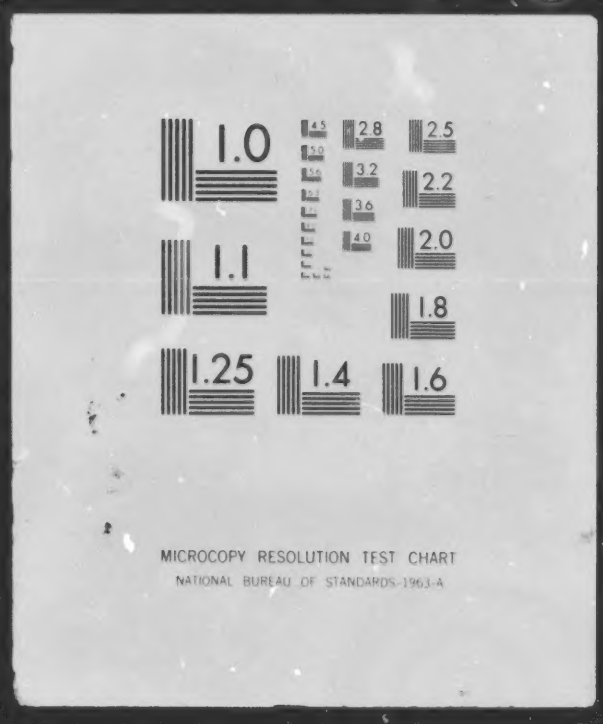
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ABSTRACT

This report discusses the many policy and procedural issues of the Agency for International Development (AID) in implementing the reforms included in the congressional Foreign Assistance Act of 1973. The act concentrated aid efforts on food and nutrition improvement, population control, health improvement, education, and human resource development. It directed programs toward reaching the poor majority, required greater coordination with private and voluntary organizations, stressed the importance of integrating women in the effort, and emphasized the involvement of the poor as active participants in their own development. After a short introduction, chapter two discusses AID's basic approach to development, defines who will receive the aid and how they must participate, and describes various policy programs. Chapter three outlines the procedures and systems for fulfilling these programs. The appendices include various AID policy statements on international development. (DE)

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IMPLEMENTATION OF "NEW DIRECTIONS" IN DEVELOPMENT ASSISTANCE

REPORT TO THE COMMITTEE ON INTERNATIONAL RELATIONS ON IMPLEMENTATION OF LEGISLATIVE REFORMS IN THE FOREIGN ASSISTANCE ACT OF 1973

Prepared by the
Agency for International Development

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JULY 22, 1975

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FOREWORD

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON INTERNATIONAL RELATIONS,
Washington, D.C., July 22, 1975.

The Committee on International Relations has had a continuing interest in the steps which the Agency for International Development (AID) has taken to implement the congressional mandate in the Foreign Assistance Act of 1973 which directed the Agency to undertake far-reaching reforms in the U.S. bilateral development assistance programs.

As a result of that concern, the committee directed, in its report on the Foreign Assistance Act of 1974, that AID provide it with a full report on its implementation of the "new directions" reforms. The report was to be submitted at the time of committee consideration of new foreign assistance authorizing legislation in 1975.

In furtherance of that objective, on February 24, 1975, I wrote to Hon. Daniel Parker, Administrator of the Agency, enclosing a list of issues with which the report should deal. The text of my letter and accompanying materials appear on pages 79–86.

The report was undertaken by AID and forwarded to me in final form on July 3, 1975. In order to make its findings more widely available, the Agency's implementation report is herein reproduced as a committee print.

It is my hope that this publication will add to an understanding in Congress and among the American public of the scope and effects of the congressional initiatives aimed at improving and strengthening the impact of our development assistance programs on poor people in poor countries.

THOMAS E. MORGAN,
Chairman.

LETTER OF TRANSMITTAL

DEPARTMENT OF STATE,
AGENCY FOR INTERNATIONAL DEVELOPMENT,
Washington, D.C., July 3, 1975.

Hon. THOMAS E. MORGAN,
Committee on International Relations, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: In your committee report of October 25, 1974, AID was asked to provide to the committee two reports on progress in implementing the reforms included in the Foreign Assistance Act of 1973. A brief preliminary report was submitted in January 1975, and I am now pleased to present to you the attached full report on this subject.

In preparing this document we have benefited greatly from the guidance contained in your letter of February 24, 1975, and the staff recommendations which accompanied it. Our report attempts to comment on the issues raised in your letter and we are hopeful that it will provide valuable information for your committee's consideration of AID's legislative proposals for fiscal year 1976–77.

The report should be read in conjunction with our fiscal year 1976 congressional presentation, particularly the summary volume, for many of the issues in which you expressed an interest are covered there in some depth. The presentation is, in effect the essential centerpiece of our response to your request as it contains detailed descriptions of all of our programs for the coming year.

One area not covered extensively in the report itself, for example, is the place of our assistance programs in a U.S. foreign policy and worldwide development context, a subject in which you expressed special interest. As this is the main theme of the introduction to the summary volume—see appendix 1, page 35—and a key point of my prepared statement before your committee at our upcoming hearings, a thorough discussion of this important topic has not been included in this special report to avoid excessive duplication.

The report is intended to supplement information contained in the congressional presentation in several key areas for it discusses at length the many policy and procedural issues associated with implementing the reforms of the legislation. It highlights for example:

—The major shift of Agency programs toward the three prime functional categories;

—The definitions AID is using in describing the poor majority and other key concepts;

—The way in which various projects and programs in each functional category—with particular stress on the food and nutrition section—are increasingly focused on reaching the poor majority

and involving them as participants in the development process;
—The many perplexing substantive issues involved in development project choices;
—The increased role of private and voluntary organizations in implementing development programs;
—The many procedural changes underway to assure that AID's existing programing and management systems are strengthened to support full implementation of the legislative reforms.

Your February 24 letter invited AID to provide information on the "difficulties the Agency has faced and continues to face in attempting to implement the legislation." We welcome this opportunity for we believe a frank exchange with the Congress is vital to our jointly developing a workable foreign assistance strategy upon which both the Congress and the administration can agree. We believe, as the committee's reports have made clear, that we should use our best professional judgment within the general congressional guidelines to interpret what experience demonstrates to be the problems and opportunities as well as the practical limits of working with the new legislation.

The report tries to point out certain important factors which affect AID's capacity to produce dramatic results on a large scale in a short period of time:

—The development tasks laid out in the new legislation are enormous, for achieving substantial improvements in the quality of life of the poor majority is a long-term, arduous, and extremely costly process.
—We are attempting to help bring about basic changes in the lives of vast numbers of poor people; we have not had great success in doing this in our country; it is of course many times harder in another country.
—While AID has long experience and a great deal of expertise, we must admit that given the nature of this business we simply don't have many of the answers as yet; the Congress should be prepared for false starts, changes and failures—from which we will learn much—as well as successes if we are to foster the experimental attitude that is crucial to finding more answers.
—Data is scarce on which to develop sound projects or to determine how the poor majority benefits—or loses—from development; such projects are, at least initially, more staff intensive and explore much uncovered terrain.
—We are working with sovereign governments which must make many difficult political, economic, and social choices if they are to adopt the basic development strategy we advocate; a rapid phase-out of assistance to nations solely because they have not fully supported this approach should be approached with caution.
—While we have made our choice on priorities, we do not operate in a vacuum. World economic and political conditions have a dominant impact on the domestic policy and program choices of developing nations—e.g. the food, fuel, and fertilizer crisis of the past 2 years. We recognize the close interrelationship of all major international economic issues with our aid associations with the LDC's; e.g., our policies in regard to trade and commodity issues may have a distinct limiting effect on our ability to influence LDC choice on

development questions. We also recognize that there is an important link between the overall strength of a country's economy and its ability to help its needy. Finally, bilateral aid programs are part of an enlightened U.S. foreign policy and cannot ever be entirely disassociated from it. (The Development Coordination Committee under my chairmanship is an important channel for arriving at comprehensive U.S. Government policies toward the LDC's)

—AID's resources are, at the moment. much smaller in real terms than they were (e.g. calendar year 1974 AID disbursements in 1967 prices were 44 percent below 1967 levels) and while they are still substantial, our influence in bringing about desired changes in LDC's cannot be disassociated from the size of our financial commitment. The melding of our resources with other bilateral donors and the IFI's provides an important multiplier effect of significant proportions, but the leverage of diminished resources on acceptance of policy advice must be recognized.

In this connection, we were very troubled by the substantial cuts made in the key development assistance authorizations by the appropriation committees in fiscal year 1975. If we are to implement the reform plan and have continuing credibility with AID recipients and other donors alike, we need better assurance that our new approaches will be adequately funded. A cut of 30–40 percent from authorized levels, with an appropriation forthcoming late in the fiscal year, causes immense program and management difficulties, particularly in the grant portion of the program. Other examples of the varying congressional interpretations of the significance of the new legislation are commented upon in our report.

Mr. Chairman, AID enthusiastically supports the emphasis of the new legislation and will do everything within our capacity to implement a development program of which we can all be proud. The enclosed report describes some of our current thinking and the steps we have been taking to assure that AID's program reflects the high purposes set forth in the Foreign Assistance Act. We believe we have made much progress in the past 2 years, and while we best of all know how much more there is to be done we hope you will find in this report and our presentation to the Congress the clear evidence of the Agency's very substantial and serious effort to respond to the challenge of the development task and the will of Congress.

Sincerely yours,

DANIEL PARKER, *Administrator.*

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REPORT TO THE COMMITTEE ON INTERNATIONAL RELATIONS ON IMPLEMENTATION OF LEGISLATIVE REFORMS IN THE FOREIGN ASSISTANCE ACT OF 1973

I. INTRODUCTION

The House Foreign Affairs Committee Report of October 25, 1974 requested that AID provide to the committee a full report on the implementation of the legislative reforms contained in the FAA of 1973. In a very real sense we believe that our fiscal year 1976 congressional presentation recently delivered to the Congress is the most important statement of our progress in carrying out the purposes of this legislation. We believe a careful reading of the substantial narrative material, delineating in great detail our specific program in each sector and country, will provide useful insights into the many ways in which AID is moving forward rapidly in implementing the new legislative program.

In this connection it should be emphasized that this year special efforts have been made to assure that the presentation reflects with reasonable certainty projects which actually will be carried out in fiscal year 1976, subject to the availability of funds. We make this assertion cautiously, for predicting the development business is difficult, especially in these unsettled times; there will inevitably be changes in certain areas—perhaps in Africa more than others given the large number of least developed countries located there. But as we have done 2 years work in fiscal year 1975 in preparing projects for both fiscal year 1975 and 1976 and for the first time carried out rigorous project review prior to including projects in the presentation, we believe there will be fewer substantial deviations in fiscal year 1976 than has been the case in the past.

Chairman Morgan's February 24, 1975, letter to AID Administrator Daniel Parker contained many suggestions which have been of great value in preparing this report. One important recommendation was that we should describe the place of the reforms in the context of the total development effort by the United States and other donors. While we will allude to this subject from time to time in this report, we believe that a clear and succinct statement has been provided as an introduction to the May 1975 Summary Volume of AID's fiscal year 1976 submission to the Congress (pp. 1–9). Thus, in the interest of brevity, we have not sought to prepare an additional general statement on this subject (a copy appears in appendix 1, p. 35). The Administrator's testimony before the committee will also focus on many of the important issues touched upon in the introduction.

There are, of course, many issues and problems not raised directly in the congressional presentation which may be of interest to the com-

mittee. In response to the suggestions made in the chairman's letter of February 24, 1975, this report will focus on the following major topics:

—the substantive policy issues involved in conceiving, designing and carrying out new direction programs;

—the procedural steps AID has taken to assure the implementation of the reforms; and

—the difficulties faced by the Agency in implementing the legislation.

The report concentrates on issues of the food and nutrition category. In part, this is because the list of questions appended to the chairman's letter emphasized this broad sector and the numerous important issues that permeate it; moreover, this sector accounts for the bulk of AID's development assistance funding request. We have tried, however, to address the key issues and opportunities in all major sectors and assure the committee that the allocation of space in this report does not reflect less interest on the Agency's part in the critical problems of the health/population and education sectors.

II. THE SUBSTANCE OF THE LEGISLATIVE REFORMS—WHAT IT MEANS TO AID

A. AID's Basic Approach to Development

AID's development assistance strategy is cast in different form today than it was several years ago. The key elements are, we believe, consistent with the main themes of the 1973 Foreign Assistance Act.

—By concentrating our aid in the three key sectors of food and nutrition, population and health, and education and human resources development, we seek to help developing nations increase their capacity to meet basic needs of their people.

—Projects and programs are especially directed toward reaching the poor majority within the populations of these nations. We urge recipient governments to design policies and programs to assure that the benefits of economic growth accrue to all the people and not a select few. Influencing LDC institutions, policies, and systems are indirect but essential means of assuring that benefits reach the broadest group within the poor majority.

—Private and voluntary organizations (PVO's) are increasingly active, with AID support, in planning, implementing, and evaluating development programs which draw upon their unique capacities to reach directly large numbers of poor people.

—AID is stressing the importance of integrating women into the development effort.

—Moreover, while it is slow going, we are emphasizing programs which involve the poor as active participants in the development process itself, avoiding any suggestion of a handout.

There are, of course, other elements in congressional guidance to the Agency, both substantive and procedural, many of which will be touched upon in this report. At the outset it should be clear, however, that AID is committed to these basic principles and as an Agency is striving to achieve positive, tangible results in each of these basic areas. We believe much progress has been made, but we are well aware of how much remains to be accomplished. This report attempts to describe both.

In emphasizing the different character of our current approach, we do not believe the Congress should lose sight of an important fact: AID personnel have had long and valuable experience in the developing world; despite the flow of changing rhetoric and institutional emphases, many AID staff—and a substantial amount of other resources—have been at work for years on hundreds of projects aimed at many of the problems identified in our discussion of AID's new directions. What is new is the complete commitment of the Agency

to concentrate our attention on these approaches and to attempt, on a broad basis, to engage the poor in the development process.

It is also important to stress, however, that while we are proud of our accomplishments and eager to move ahead rapidly in support of this strategy, we must also be modest as we discuss the future. Determining the precise application of general development approaches in specific cases remains, despite all our efforts and those of thousands of practitioners and scholars alike, a very murky, difficult, uncertain, complex, and intractable business. The rapidly changing circumstances and conditions, the special characteristics of individual societies, the vagaries of the international economic system, and so forth, all suggest that modesty, especially as we confront other nation's problems, should be an important governor on our actions. Our difficulties in predicting our own economy emphasize the need for restraint with others.

Moreover, while AID and the U.S. Government must, of course, be responsible for our programs, it is essential that we always keep in mind that the decisions regarding development policies and practices in the LDC's lie with the sovereign governments of those nations. Our influence is profound in some, slight in others, but in all cases must be exercised in a collaborative and sensitive style if we are to continue to be a welcome force for development. As is clear from recent overt expressions of the tension between developed and developing nations (for example, the breakdown of the energy conference in Paris, the group of 77 positions in various United Nations forums, and so forth), the changing pattern of relationships between countries underlines the need to respect the integrity of other nations if cooperative solutions to world problems are to be found.

In making their individual decisions on development strategies, recipient governments are now well aware of the emphasis of AID's own legislation. We have made a concentrated effort to inform key officials at all levels of the meaning of the new legislation and in general have found them sympathetic to the same goals. *It is evident, however, that a great gap remains between sentiment, rhetoric, and policy in many nations, and in some cases, a fundamental concern that we may be construing the necessities of national development too narrowly from their vantage point. This is especially true in Africa where basic infrastructure is most needed.* Governments are increasingly aware of what kinds of projects we are prepared to support, and in general these are the types of projects we are asked to consider. The shift in program concentration in the past 3 years, as shown in the table on the following page, is indicative of the degree of our change. There are projects turned away as inconsistent with the new directions—a sampling is contained at appendix 2, p. 41. Governments now turn to the international financial institutions, United Nations development program, and other bilateral donors for projects essential to a balanced development program which fall outside our priority areas; as is clear to all, the fact that we rarely fund major infrastructure projects or many other activities does not obviate the need for them, especially in Africa.

DEVELOPMENT ASSISTANCE FUNCTIONAL PROGRAMS, FISCAL YEARS 1973 THROUGH 1976

[Dollar amounts in millions]

	Fiscal year—							
	1973		1974		1975 estimate		1976 proposed	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Food production and nutrition	225.4	26	274.4	35	410.3	54	582.3	61
Population planning and health	154.1	18	181.6	23	166.0	22	201.5	21
Education and human resources	88.4	10	89.0	12	79.6	11	95.3	10
Selected development problems	229.2	26	119.7	15	60.0	8	46.8	5
Selected countries and organizations	177.8	20	113.7	15	38.6	5	31.9	3
Total [1]	874.9	100	778.4	100	754.5	100	957.8	100

[1] For purpose of comparability fiscal year 1973-75 data excludes operating expenses. In fiscal year 1976 operating expenses are proposed as a separate account.

As the committee has pointed out, the task of achieving substantial progress for the billion or so very poor people in countries receiving AID assistance is not an easy one; it requires an extremely large investment of resources, long periods of time, and very difficult policy choices for governments. We have not had universal success in our own country in eliminating poverty—and the situations are not totally unrelated—and so we have great sympathy for nations trying to make the right choices for their own societies. Because of the large investment of resources required, it is clear that a healthy economy, one which is multiplying job opportunities, government revenues, and foreign exchange earnings, will enhance the prospects of a successful attack on poverty. The pace at which governments are able to move toward concentration of their resources in projects that not only help but involve the real participation of the poor is one of the most difficult choices for LDC's. In part this is because of the political impact of such decisions, in part because the appropriate answer in each case is not always crystal clear. AID can help, but the political movement—which we believe is essential in the long-run interest of these societies—will not come overnight. We have embarked on a venture which requires that the United States make unequivocally clear its intention to stay the course.

B. Definitions

In addressing the issues raised by the new legislation we have considered it important to define certain terms and concepts so there would be a greater degree of consensus inside and outside the Agency. While these have been described at length in an Agency paper entitled "The Congressional Mandate: Aiding the Poor Majority" (see appendix 5, p. 63) issued on April 30, 1975, several key elements are summarized here.

WHO ARE THE POOR MAJORITY?

Few officials in developed or developing countries have spent much time on that question, perhaps feeling that "you know the poor when you see them" and that attention could more usefully go to designing and implementing programs for people who are obviously poor by any reasonable standard. We are sympathetic to this view and do not intend to belabor the question, but the need to be sure of our focus at a time when AID appropriations are particularly tight requires that we

always have in mind what we want most to accomplish and for whom. A closer look at the characteristics of the poor may suggest ways of improving the effectiveness of AID programs.

As an aid to characterizing the poor majority, we use several rough "benchmarks" or standards of poverty. Falling short of any one benchmark is enough to place an individual in this vast group which totals over 800 million people by our standards, or around three-fourths of the total population of AID-assisted countries; in some countries more than 90 percent of the population is in this group, while in other better off countries the proportion is far lower.

In interpreting these benchmarks we stress the need to consider the spirit of the legislative reform as precision will be difficult to achieve for some time given the frequent absence of reliable statistical data in LDC's. This is especially so as these indicators are intended to apply to varying proportions of country populations, not to countries as a whole.

The following benchmarks are used:

(*a*) Per capita income below $150 per year;

(*b*) Daily diet of less than 2,160 to 2,670 calories (depending on the country); and

(*c*) Several health indicators: life expectancy at birth of below 55 years, infant mortality over 33 per 1,000 children aged 0 to 1, birthrates over 25 per 1,000 population, or access to broadly defined health services for under 40 percent of the population.

HOW ARE AID'S TARGET GROUPS TO BE CHOSEN?

Moving the poor majority beyond the poverty benchmarks noted above would be an extremely expensive and lengthy process even in optimal policy settings. Although we cannot say with precision, the price tag for each year would most likely be a multiple of the LDC's present gross national product and the aid donors' share well beyond the realm of possibility. To suggest how large the job is, with 5 percent annual growth in real GNP and 2 percent annual growth in population, per capita income would double only after 25 years—assuming steady application of needed resources—and perhaps still fall short of $150.

As AID's resources—like those of other donors and of the LDC's—are limited, it is normally impractical to think of AID-financed programs affecting directly the entire poor majority in any country, much less moving it beyond the benchmarks in the near term. But wherever possible, AID support must be part of a development approach conducive to broad-based systemic change. While AID-financed programs must attempt to reach large numbers of poor people, AID's primary target group will often be a limited portion of the poor majority in each country depending on its economic and social conditions, its capabilities and desires, and other considerations which determine the programs yielding the most impressive benefits at least cost. AID's programs will also be designed to yield secondary benefits to as many as possible among the poor, and certainly to avoid worsening the plight of the poorest. Once again we recognize the difficulty of tracing out exactly who is affected by an activity and what the long range consequences are; AID's Philippines mission is making a valiant attempt to do so but finding it tough going.

In pressing ahead with the new legislation, AID assistance focuses on:

—*concentrating on countries* whose development policies we can support and that can utilize our assistance effectively;

—*concentrating on key sectors* (food and nutrition, population and health, and education) affecting the basic well-being of the poor;

—*providing key components* (frequently in concert with other bilateral and international donors) of development packages designed to involve and affect broad segments of the poor majority, thus multiplying the impact of our assistance;

—*supporting selected pilot programs* testing new approaches with potential for affecting many people, thus encouraging the experimentation needed to advance the art of development. Above all, we must be prepared to assume risks.

HOW DIRECT MUST AID'S ASSISTANCE TO THE POOR MAJORITY BE?

While we do not believe that there is any serious misunderstanding on this question, the frequent reference in committee reports and elsewhere to "direct" assistance to the poor majority suggest that a definitive statement on this topic would be useful.

AID supports and assists LDC agencies in planning, financing, implementing, monitoring, and evaluating programs and projects which promote development activities which primarily and directly deal with the problems of and are intended to benefit the poor majority.

AID therefore supports activities which directly benefit the poor majority or support, through assistance in planning and institution building, LDC agencies that deal directly with the problems of the poor majority. Almost invariably AID assistance would reach the poor majority not "directly" from U.S. advisors working with villagers, but through:

(*a*) public or private intermediary institutions, and

(*b*) advice leading to change in LDC policies which, in several ways, might improve benefits to the poor (for example, policies which influence the availability of opportunities—including employment—and the supply and cost of basic goods and services).

WHAT IS THE MEANING OF "PARTICIPATION"?

Development progress for the poor will require time-consuming systemic change. Programs most likely to succeed, and which receive highest priority emphasis under the congressional mandate and AID policy, are those involving the active and effective participation of the poor in all facets of the development process. This is clearly not a simple proposition to implement, especially as it has important political implications. We shall refer to participation frequently in the following section of the report, but to briefly describe the participation approach to our staff we have used the following:

—*Economic benefits are widely and significantly shared by the poor* with the objective of narrowing the relative income gap between rich and poor, for example, the co-op which benefits small farmers.

—*Decisions concerning the activities to be carried out are made,*

preferably, by those benefited (for example, the poor), or if not, at least with effective consultation and substantial acceptance by those benefited.

—*The activity in which they participate is, ideally, a learning experience for benefited persons*, which increases their technical skills and/or their capacity to organize for common purposes and for greater access to the benefits of development.

—*The poor make a significant contribution* in effort and resources to the activities from which they benefit, for example, through personal savings, or serving as members of local planning or project implementation committees, or through actual project implementation.

—*The participation and contribution of women* should be explicitly taken into account under the above-mentioned considerations, for example, any of the above or other examples when the participants are women.

C. Policy Issues

As anyone knowledgeable about economic development problems will testify, there are a large number of very difficult policy choices that must be made. While these are the responsibility of the country receiving assistance, we must also decide on the most sensible course for the U.S. Government to pursue. Our support of a participation strategy concentrating on a few key sectors is an illustration of a choice made. But there are many other serious areas of economic, social and political policy that inevitably drive toward the core of national development as we try harder to change traditional approaches. This section will attempt to describe some of AID's work and thoughts in key areas, recognizing that much is still new terrain to all of us.

1. Section 103—Food and Nutrition [1]

While entitled Food and Nutrition, in AID's view section 103 of the FAA is broadly interpreted in legislative history to consist of activities in support of rural production rather than simply agriculture, with the emphasis on linkages between agriculture, industry and marketing.

AID provides only a fraction—albeit occasionally a large one—of the foreign resources any LDC uses, and it is the LDC's own resources and its own development policies that are the primary determinants of development progress for its own people. Whenever possible, therefore, AID support must be part of a development approach conducive to the broad-based systemic change needed to affect the lives of the poor. Barriers to development in the economy, society, and politics of the LDC must be identified and a package of coordinated policies established to remove or weaken those impediments. (AID-assisted sector analysis work is a major step in helping LDC's move in this direction. Many Latin American sector loans have been based on such analyses.) Not all governments have fully committed themselves to this task, but AID's assistance seeks to support programs that contribute toward expansion of such a broad-based view. (A fiscal year 1975 loan to Nicaragua illustrates just such an effort.)

[1] See appendix 3, p. 43, for a summary statement of AID's program in this account.

A basic issue which we confront in the rural production area is whether a small farmer strategy is consistent with our dual objectives of increased food production and greater equity for the mass of rural populations. The committee's report of October 25, 1974, recognizes that there are pressures imposed by the current world food crisis that might deflect agricultural development strategies away from small farmer focus. AID strongly supports the small farmer strategy and our fiscal year 1976 congressional presentation is replete with projects which emphasize it (see appendix 3, p. 43 for illustrative list). But the assumptions behind it are not simple propositions and the evidence for them is not entirely clear as yet. We believe that over the long term the social benefits will be spread much more broadly and food production increased at least as much by emphasizing the small farmer; in the short term, however, there may be significant equity benefits to the poor if larger farmers have greater immediate capacity to increase production more rapidly and if lower food prices result.

There are ways of ameliorating this short-term large farmer advantage; one is the use of food aid to tide over the need while small farmers gain greater resources; the other is to start immediately to assure small farmer access to relevant physical and institutional infrastructure.

The implications of these issues are significant for all AID programing in the rural area; analysis of this complicated interrelationship is underway, but there is clearly need for considerable additional study and research. In the long run equity and an improved quality of life for the poor majority requires that they have an opportunity to improve their incomes by direct involvement in the productive process. The sooner the effort is begun in a large way, the earlier the benefits will accrue to the broad base of poor population in LDC's.

South Asia has the largest food deficit and thus is the largest single factor in the world food imbalance. Our strategy there seeks the dual objectives of increased food production and greater access to the means of production for the mass of the rural population. The committee's report of October 25, 1974, recognizes that the world food crisis created a situation where the Agency cannot neglect the goal of helping countries feed themselves. South Asian countries have a large number of small landholders, in fact, they predominate in Bangladesh. Since there is a considerable body of evidence to support the proposition that programs with a small-farmer focus have as much (and possibly more), going for them over the long term as those which concentrate only on production and neglect the small holder, there is no question of conflicting goals in the long term.

The question is how much can be done for the small farmer in the short term given the pressing need for higher production. Food aid (that is, Public Law 480) clearly helps society tide over crisis periods and permits the small farmer to retain his meager capital; technical assistance can begin to help institutions develop but they will play a meaningful role in support of the small farmer only in a longer time frame. Donor financing of needed agricultural inputs (that is, fertilizer and pesticides) on an adequate scale is the key to closing the food gap.

Experience in South Asia over the past several years, after the "Green Revolution" took hold and the small farmer came to use the

new technology, indicates that a short supply of fertilizer affects the small farmer more than the large because, notwithstanding South Asian government programs for "fair distribution" of inputs the market price, which in periods of serious shortage means the "blackmarket," rations supply to consumers with money (or credit) as against those without. Consequently maintaining an assured and adequate supply achieves the goal of "fair shares" as well as that of higher production. Therefore AID financing of fertilizer and fertilizer plants is a key to having the small farmer get access to supply. If measures are taken at the same time to create a viable distribution system which reaches villages and remote areas, the combination will achieve production and distribution goals. Institutional credit covers only a small fraction of total need and can be expected to grow only slowly. Our technical assistance programs in South Asia include projects in agricultural research and water management especially keyed to the need of small farmers which will support technological change.

In this connection we take issue with the interpretation of the legislative reforms contained in the recent Senate Appropriations Committee report. Underlying all of the committee's comments is the apparent assumption that we should provide assistance under the food and nutrition category "only if we provide food directly to poor people within the period of 1 year." The overwhelming implication is that the food and nutrition category is an extension of the famine and disaster relief category or the Public Law 480 program. Such a definition would prevent AID from supporting cooperatives, building up extension, research or irrigation capacities, focusing on pricing policies, establishing training institutions, and so forth, all of which strengthen and build the LDC's own ability to feed its population adequately. The major effect of the pursuit of the strategy recommended by the committee would be to perpetuate LDC dependence on food imports; AID would be left in the position of treating the symptom rather than the cause of hunger and malnutrition.

There is a great potential for increasing food production in the developing world given the low yields which prevail generally compared with those obtained in developed countries but, more to the point, also by small farmers in such countries as Taiwan, Japan, and Israel. This effort to provide help to those who need it most will frequently be a time-consuming and difficult process for major changes in rural production systems will be required. Where food production assistance can have a relatively short payoff—which in the best of circumstances will seldom be within a single fiscal year—well and good, but the thrust of our development approach is "in direct support of the longer term structural changes needed to increase the productivity of the small farmer" (page 17, HFAC report 93-1471, October 1974). The House report—and AID policy—stress that our "programs in support of short term production increases in certain countries * * * [should be] kept to the minimum * * *" (ibid.).

AID has not developed—and probably will not attempt to develop—a specific worldwide standard against which to determine the precise definition of a "small" farmer. There are varying estimates of appropriate levels, but accurate figures on the minimal economic farm size differ widely within countries let alone across national boundaries and continents. The differing climates, quality of soil, rain-fed or dry

land, cropping patterns and so forth all serve to make rigid definitions difficult to sustain. Thus our project proposals must now describe the nature of the target group and its relationship to the total population. The intent—in this area as in all others—is clear: The concentration should be upon those who are among the poor majority, and there should be a good chance that the project will, directly or indirectly, spread to a wide portion of the population. This means that while an occasional rich farmer may conceivably benefit from improvements made in the total system, the prime focus is on enhancing the quality of life of the poor farmer.

Realizing the potential efficiency of smaller production units requires adjusting the main body of traditional development thinking. One way to build on the inherent efficiency of small producers is to reduce or remove the frequently negative effect of LDC policies, subsidies or compartmentalized bureaucracy, as in the area of wholesale/retail crop price controls, interest rate regulations or Ministry of Agriculture services. While this effort is, of course, principally the responsibility of the LDC government, AID can and does encourage local reconsideration of policies in the context of program or project design. Thus, an emphasis on overall economic efficiency and policy planning is an important aspect of a participation strategy with significant impact on poor farmers. AID's agriculture sector loans contain provision for U.S. advice in this area as do the various specific new and continuing projects in Korea, Nicaragua, Ghana, Kenya and elsewhere. About $20 million in AID's fiscal year 1976 program—not including sector loans—are directed toward agricultural planning and administration.

An example of necessary institutional infrastructure is the establishment of systems and organizations designed to provide adequate production credit at a fair price. But investors are understandably hesitant to put up funds in a relatively high-risk situation such as when a small farmer borrows to purchase improved seeds or other innovative technology. If government regulations are amended to permit somewhat higher but not usurous interest rates, development banks can attract more savers, lend at a fair return and in so doing expand and ultimately provide even greater credit resources to the labor intensive modernizing agricultural community. These higher interest rates discourage larger farmers from forcing their way into these programs yet provide small farmers credit at lower rates than currently available from local money lenders. AID plays an important role in providing seed capital and technical assistance to expanding credit institutions until they convincingly prove the benefits of these programs to investor and borrower alike. There are many projects with credit institution elements in AID's program, including activities in Bolivia, the Dominican Republic, Kenya, Tanzania and Peru.

AID's guidelines on small credit recognize the potential for savings by small farmers. A number of AID projects include savings stimulation as one component and AID continues to strongly support the work of CUNA (Credit Unions National Association). There is need for better understanding of the potential for resource mobilization here, however, and AID has underway a review of new policy statements which will increase our emphasis on savings and link it to credit programs.

Adequate physical infrastructure is also an essential component of establishing the small farmer as a viable producer. Where limited physical infrastructure exists, it is usually the large farmer that benefits for it is he who has the wealth or political power to control it. Thus, while AID is generally no longer providing support for major infrastructure projects, we continue to be extremely interested in those projects which provide the necessary local base for small producers to increase their crops. Important examples are several irrigation projects in Indonesia, the Philippines, and Korea. The small capital investment associated with these labor intensive projects should, when combined with local institutions to manage the use of these resources, provide major benefits to small farmers and the national economies. In the Philippines, for example, the pilot program upon which our loan is based estimates that within 2 years family income will quadruple.

There will continue to be occasional large-scale infrastructure projects which AID will consider important enough to finance if they contribute to overall agricultural production goals for the poor majority. An example in the fiscal year 1976 program is the Senegal River Basin development (OMVS) loan of $15 million, the first stage of a coordinated multinational effort to regulate the waters of the Sahel region. Major mainstream dams, irrigation works, port development and basic infrastructure will ultimately be involved. Especially in Africa this need for AID to join with other donors in support of critical major infrastructure may recur and should be considered on its merits. As indicated earlier in this report, page 4, African governments in particular are concerned that our emphasis in the new legislation not prevent us from supporting worthwhile infrastructure projects.

Agricultural research is an expanding area of AID concentration. A new title XII initiative is proposed in this year's legislation to enlarge U.S. participation in international food and nutrition research efforts. Priority is given to research which will increase work on crops and technologies which are most suitable for the mass of small farmers. In many cases, like our agriculture research loan in Uruguay, this means concentration on applied research to transfer the technology already developed elsewhere to meet the needs of growing food crops in a particular area. While the green revolution has had substantial impact on productivity in certain areas, it is also true that there is much more to be done to assure that smaller producers benefit more directly from these and future new crop varieties. Research will concentrate on improving yield potential and protein levels of the major cereal grains—rice, corn, wheat/barley and sorghum/millets—as well as improving the disease resistance and yields of high-protein food legumes—dry beans, soybeans, chickpeas, and cowpeas. Research is also underway on new technologies such as alternatives to expensive chemical fertilizers through improving the capability of crops to assimilate nitrogen from the atmosphere.

AID emphasizes the important link between the research and the ultimate intended recipient—the small farmer. This is done in a given country by building into the project an appropriate delivery or information system via extension programs, radio bulletins, cooperative meetings, field demonstration days, or audiovisual units. The outreach of the international research institutes supported by AID is being

strengthened, while AID projects in LDC's—for example, the Philippines—stress the association between the researcher and an effective extension system. Of particular importance is the increasing emphasis by the institutes and in AID projects on study of existing farming "systems" and how the new technology and/or systems can be modified to enhance benefits to small farmers and other groups among the rural poor.

As indicated above, AID believes that section 103 comprises the whole range of services described as rural production. Most development planners, who tend to dichotomize national development into rural and urban aspects, fail to give sufficient attention to the importance of market towns and other urban centers in serving the growing needs of people in rural areas. As a result, action programs for rural development have failed to exploit the considerable and essential contributions that these centers make.

There is growing awareness of the substantial interdependencies between the urban and rural sectors, and good progress has been made in identifying the kinds of general services and functions which are required at various administrative and geographical levels to support rural development.

In recent years, AID has paid insufficient attention to the relationship between the producing area and the marketing and support system, between the agricultural community and the sources of employment-generating services it needs. Regional planning, an important basis on which governments plan the appropriate relationships between various population and production centers, is becoming a strong feature of many LDC 5-year plans. Although AID has not placed much stress on regional planning in a formal sense, there are now a few projects that explicitly incorporate such concepts. More insight and more time are required to develop the mix, magnitude, order of priority, and location of services at all levels and for different patterns of agriculture. More practical information is needed also on alternative designs and approaches for establishing these services, in order to produce good projects. Papers have been prepared and circulated to missions, and the importance and applicability of regional planning gradually is being understood. Integrated area development schemes have been started—for example, in the Philippines and Nicaragua—and pilot projects are underway in several countries.

AID is increasing its assistance to the development of small market towns as production centers in which to locate and strengthen appropriate smaller scale industries and service trades tied to the needs of the dominant agricultural sector. Loans of this kind are underway or planned for Panama, Peru, and Bangladesh. In the latter case, small iron foundries are to be supported to permit the production of specially designed hand irrigation pumps. In the two Latin American examples, local municipalities are able to borrow for industrial and business development. Rural electrification projects reaching millions of people in the Philippines and elsewhere have laid a good basis for future small-scale industrialization. Recent loans in Colombia, Central America (LAAD), and West Africa are intended to promote small agro-related industries.

But it is evident that AID is not yet well staffed to engage in many of the small industry areas or in regional planning and development.

There are few experts in these areas, the varieties of possible skills are many; and while reliance on voluntary agencies will be an important part of our effort, we are still feeling our way. There is obvious need for more experimentation and effort here.

Technology transfer and adaptation cut across all AID's sectors of interest, but we recognize that it is important to do more in the search for technologies especially appropriate to the rural villages and market towns that service the rural poor. Beginnings have been made in the development of marketable agricultural implements; for example, Bangladesh. AID is supporting several projects at expanding American research and development competence in appropriate technology and in searching for better answers to specific problems, such as alternative and small-scale sources of energy that could be used in rural areas. Work is underway on labor-intensive construction techniques that can be used for land improvement, farm-to-market roads, and other civil engineering projects. Appropriate technologies for utilities in rural areas are also under study. AID has supported development of commercially successful low-cost agricultural implements at the International Rice Research Institute in the Philippines. Several models are being locally manufactured and sold to small-scale rice farmers.

But these efforts are at an early stage (despite the fact that there is much small farm technology lying around unused and untested), as are also studies of the close interrelationship of technology and institutions. Who benefits from technology may not, in fact, be determined by technology as such but by the socioeconomic system in which it is used. AID will pay increasing attention to the institutional setting in which technology is being introduced as well as the relevance of particular types of techniques for small production units. This is a relatively new area for AID and most developing countries, and so we shall both need to proceed on a learning by doing approach.

Nutrition

As the fiscal year 1976 congressional presentation emphasizes, improved nutrition may result from programs involving direct child-feeding, food-fortification education on better nutrition practices like longer lactation or improved weaning foods, or other measures in the nutrition field proper; agricultural or rural development programs that increase and diversify the supply of food available or which stimulate agricultural production so rural incomes rise enough to permit additional food purchases; health and sanitation programs that improve the efficiency of food utilization by reducing gastroenteric parasites and mitigating other diseases; and education programs that touch directly or indirectly on nutrition.

Programs in the nutrition field proper have produced mixed results; feeding programs are sometimes promising, but may not reach all the needy, or they may provide too little additional food to make a difference, or they may stimulate counterbalancing changes in distribution of other food. Thus, AID, with particular help of the voluntary agencies, is seeking wherever possible to meld together an effective nutrition strategy combining all instruments described above.

In a Ghana project, section 103 funds finance technical assistance, training, and commodities while Public Law 480 title II administered by voluntary agencies will be used to promote maternal and child

health. In Chile we have authorized a nutrition loan which will fund both research studies and a pilot nutrition program to reach the children and young mothers of the poor majority. A similar 1976 loan is proposed for Costa Rica.

Participation

This is an appropriate place to review several aspects of the "participation" question, for while it embraces all development aspects of the FAA, it arises naturally in a discussion of the rural development issues subsumed under section 103. We have suggested in an earlier section (p. 7) how we define "participation." In discussing the participation approach, we must be realistic as to the rate at which other nations are willing and able to adopt the many difficult political and social choices of the basic development strategy we advocate. This means that a rapid phase out of assistance to nations solely because they do not fully adopt this approach could be self-defeating in the long run. A pilot project consistent with the new directions in such a country may initiate a dialog and process which could lead over time to major changes in strategy.

Among the issues with which we are concerned are the following:

Local institutions.—We recognize that they are needed as part of the process of getting people involved. How much we can do, of course, depends on government policy—whether the government itself is emphasizing local institutions and, if so, is the government willing to have Americans involved. Recent experience suggests that central governments are more likely to support economic organizations rather than political—for example, farmer cooperatives rather than effective local govenment—and are more likely to accept external support in economic rather than political/administrative organizations.

The presence of many cooperative projects in AID's program is illustrative of this point and of the emphasis we place on enhancing the access of small farmers to the essential services and supplies of the agricultural system. While co-ops have often not been successful, we believe that the strong central support shown for local activity through sensible policy choices and real decentralization of decisionmaking will make various forms of community groups of this kind a key to the success of the participatory approach.

Increasingly, our decisions on project funding will depend on the degree to which participation at the local level is a reality. As we grow more secure in our own minds as to the various forms appropriate to local settinges we shall be able to do this more broadly.

In the meantime we have supported several studies of local institutions—government and nongovernment—and will continue to find ways to gain greater knowledge of local situations in order to define and develop projects which will strengthen local participation. For example, an AID-supported rural works project represents Afghanistan's first effort to decentralize decisionmaking to local communities. Latin American countries have been at work on this for somewhat longer; a 1976 Bolivia project will help create and strengthen some 200 small farmer community organizations and establish a cooperative movement involving some 300 cooperative organizations.

Land tenure.—We recognize the importance of land tenure to effective participation of the poor and to increased production; we are also

aware of the sensitive political character of this subject. We have been associated with several reform programs in the past and continue to help provide the best available advice and research support on the technical aspects of land reform. (Several instances are noted in this year's Congressional Presentation—Summary Book, p. 34.) The AID-financed University of Wisconsin land tenure center is a unique resource.

But it is clear that there are many nations which have not yet concluded that reform of the land-owning or tenant systems are politically possible, economically desirable or administratively feasible. AID is reviewing carefully what we might be able to do in such cases to improve the tenure position of tenants, sharecroppers, and the rural landless as well as farmers with fragmented, marginal holdings. This is an extremely delicate area; it is also central in certain cases to the effective involvement of the poor majority in agricultural life other than as underpaid laborers. In certain extreme cases we may have to simply avoid supporting otherwise sensible agricultural programs because of failure to settle the tenure issue. In most cases, however, step-by-step improvements should be possible. The recently approved $15 million agricultural sector loan in Nicaragua illustrates what we believe can be done through careful integration of many programs. The Philippines is doing important work in this area with AID assistance. In Liberia, the Government has developed a land tenure system satisfactory to the IBRD and AID as the basis for a joint rural development program in Lofa County.

Employment.—An obvious and important ingredient of the participation strategy is an emphasis on labor-intensive approaches to development. Employment is the main way in which the poor majority obtain the means to improve their health and basic standard of living. AID's policy determination No. 48 of October 2, 1972, laid forth AID's basic view on this subject which has been expanded upon in subsequent documents. Agency experience makes clear that employment and equity considerations must be raised at the very beginning of project development if they are to be effective. As a result of clear guidance statements, Agency training programs, incorporation of stronger procedures in project documentation requirements, and further research, there are now several projects underway—and others planned—where the primary objective is increasing productive employment opportunities as well as raising output. The National Employment Planning Project in Latin America, a "pick and shovel" project to increase the effectiveness of labor-intensive feeder road construction in Colombia, a pilot project in Kenya on labor-intensive road construction technologies, and rural public works projects in Afghanistan, Bangladesh, Indonesia, and Yemen are illustrative.

For many among the poor majority, the chief employment problem is not finding work but making existing employment more productive. This includes small farmers and artisans, traders and industrialists who are self-employed rather than wage laborers. Thus, AID's emphasis on small farmers and rural development seeks to increase productime employment; programs in nutrition, education, and health help to increase the individual's capacity for productive employment.

Women in Development

An essential ingredient of the participation approach to development has been highlighted by section 113 of the Foreign Assistance Act—the need to give particular attention to programs which tend to integrate women into the economies of developing nations. AID's progress in implementing this element of the new legislation is described in the fiscal year 1976 Congressional Presentation Summary Book (pp. 87–88). We now require that all AID project proposals address this important issue, but we recognize that there is much time and effort needed before this concept will be fully accepted in development thought and action. The International Women's Year activities should direct worldwide attention to the possibilities and make up for lost time in engaging women more deeply in all aspects of development programs, and AID missions and central offices are now proposing projects in all categories of assistance which specifically attempt to do this.

2. SECTION 104—POPULATION PLANNING AND HEALTH [2]

Some efforts to improve health in the LDC's have succeeded dramatically, particularly efforts to eradicate endemic diseases or improve personal hygiene and sanitation. But funds have also gone to curative services, which have not generally resulted in as broad health changes as other measures might have. Too often developing countries have aimed to establish sophisticated health services even if they served only a few people. Thus most of the poor are still beyond access to any but traditional health services and without the clean water or rudimentary sanitation essential to reasonable health. For them, life expectancy remains low; sickness and death, particularly among the young, remains very common.

Increased attention is now being given to determine the most effective means of modifying the whole system of policies and conditions that may account for the most common threats to health among the poor. Improved health conditions require coordination of private and public programs, including those AID assists, in sanitation and water, nutrition, family planning, personal hygiene, health services proper, as well as economic and social measures. An effective package that an LDC could finance with current resources is possible if reliance is placed on inexpensive ways—such as upgrading traditional practitioners—of encouraging the poor to modify their practices now conducive to ill health. Thus the active participation of potential beneficiaries also emerges as the keystone of new approaches in improving health.

AID is now assisting 25 low-cost health delivery programs as compared with only 1 in 1971. For example, a loan has recently been approved for Korea which provides support for an innovative health delivery research and demonstration project. A health development corporation, a semiautonomous body to be created by the project, will be responsible for planning research and operational aspects of the demonstration under direction of a national health council which represents various ministries and other interests—such as agricultural

[2] See appendix 3 ((2) section 104), p. 48 for a summary statement of AID's program in this account.

cooperatives and universities. Other research and analysis components as well as evaluation will be conducted through a secretariat operating as an arm of the Economic Planning Board. These are unique features for health delivery projects, stressing a great degree of autonomy for the new organization and the need for broad-based public and interministerial participation in the projects funded under the loan. We hope this will be a model for other efforts elsewhere.

It will not always be easy to achieve the full integration of health and family planning delivery systems. While AID encourages their integration (as, for example, in the Danfa project in Ghana and the DEIDS—development and evaluation of integrated delivery systems—experiments in Thailand and Ecuador), this issue is often the subject of serious domestic political or bureaucratic considerations over which AID can sometimes have little influence. We will continue to support separate family planning programs, including efforts of private organizations, if that seems the most sensible short-term course, for substantial economic and social progress will be possible only if population growth abates.

Without doubt AID's population program has been a powerful catalyst in achieving international recognition of the population growth problem and understanding of the need for action. Ten years ago, the United States was the major donor in this field. Today 13 other developing nations carry out bilateral programs and provide support for international organizations, such as the U.N. Fund for Population Activities (UNFPA), and agencies such as the International Planned Parenthood Federation (IPPF). Total donor resources directed toward this problem are now hovering around $200 million a year. While the LDC's are putting increasing amounts of their own meager resources into the task, the total world effort is still clearly inadequate. For example, requests from developing countries to UNFPA alone doubled in fiscal year 1975.

Ten years ago, few LDC's considered rapid population growth as a major factor in their national development planning. Today over 100 LDC's have already started family planning programs or are preparing to act. There is evidence that these efforts have helped reduce population growth in such countries as Korea, Taiwan, the Philippines, and Singapore.

Since it began a decade ago AID's population program has concentrated its skills and resources on creating the basic infrastructure and a strong manpower base to build the momentum in the drive to reduce population growth. The program has worked to:

—Promote worldwide understanding of the population problem and its impact on development;

—Encourage creation of family planning programs through voluntary national and multilateral efforts; and

—Provide technical and institutional support for development of family planning programs.

In the next few years, AID's assistance effort will be marked by four major emphases:

—Expanded support for family planning information programs, improved administrative and management systems, manpower training, and examination of the impact of social and economic factors on fertility;

—Increased integration with other development programs, particularly health and nutrition initiatives in rural and poor urban areas;
—Increased collaboration with other bilateral donors, the World Bank, UNFPA, and WHO; and
—Stimulation of increased support of other donors to help meet the rapidly increasing demands for contraceptive supplies which our program is now no longer able to provide.

Reasonable access to safe and effective family planning services and information is essential and remains a primary purpose of AID population program funding. AID is working to help develop a variety of effective types of family planning services, investigating opportunities for distributing services through commercial channels (for example, Jamaica, Bangladesh, Indonesia) as well as through public health systems. Increased attention is also going to developing innovative information and education programs relying on both modern and traditional media.

But people may be content with fewer children only if changes in economic structure remove the advantages many parents now see in large families and as changes in society open new options for women. In this context, a radical reduction in infant death rates as well as improvements in personal nutrition, health, education and so forth will be required if substantial improvements in living standards are to become realistically feasible. Increased attention in the population program is being given to exploring how currently operating policy measures and socioeconomic conditions influence attitude on family size, and what policies might work in conjunction with family planning services and information to encourage smaller families. The cost of such research and pilot programs is low but the long-term benefits may be substantial. In our population program as a whole increased attention is going to determining the most cost effective means of reducing fertility on both the "supply" and "demand" sides of the question.

3. SECTION 105—EDUCATION AND HUMAN RESOURCES DEVELOPMENT [2]

In a world of plenty, "education" may connote literacy and wide learning, truth for its own sake as well as a means to progress. In a world of want, education must unfortunately of necessity be something far more restrictive and practical—as means to improving living standards rather than an end in itself. AID defines "minimum practical education" to be that body of knowledge, attitudes, and skills necessary to effectively contribute to and participate in a developing society and economy. Education should help equip LDC citizens to cope with their most pressing problems—hunger, ill health, and a lack of more productive employment.

Minimum practical education varies with the situations people face. What is essential to effective participation differs dramatically among and within countries. We seek to identify learning needs, and select and try out the most promising alternative means for meeting those needs, including both formal and nonformal programs.

[2] See appendix 3, ((3) section 105), p. 53 for a summary statement of AID's program in this account.

Where resources are very short, where lifestyles severely limit access to formal education, or under other circumstances, programs to increase literacy may or may not be the most effective means of enabling more people to contribute to and participate in development. Even the U.N.'s worldwide target of "universal primary education" may be an inappropriate target, at least in some countries' present circumstances.

The proper form and channel for education assistance will vary depending upon the circumstances. While we believe most traditional methods are too expensive to meet the mass needs outlined above, there may be exceptions; universities play an importnt role in many countries, and can be more closely linked to development needs than they often are, most of AID's assistance will, however, be concentrated on work at a lower level closer to the immediate needs of the poor majority. As is clear from our view that a minimum practical education should relate closely to the learning needs of other sectors and from the illustrations in the congressional presentation the channels of assistance may well be farmers organizations, health groups, the school system, or others.

Thus, we support new approaches, including nonformal learning programs that do not rely upon literacy for providing important information to rural people, and the use of communications media (with existing teachers serving as monitors) to extend incomplete, two or three grade primary schools in the rural areas to the full five or six grades.

Experimentation must go forward on all fronts in human resources development. National budgets in LDC's commit as much as one-fifth of their resources to the formal schools, and cannot easily be stretched to permit further expansion as school-age populations increase, particularly in the rural areas of the poorest countries. Nonformal education approaches, to which AID turned its attention in 1970, are being closely studied and trial operations are being supported in a number of countries.

The nonformal education thrust of section 105 shows up in all three of the main functional appropriations. Farmer training is included in section 103 projects in several countries, among them Tanzania, Philippines, Nicaragua, Peru, and the Sahel. A community approach to health and family planning education is included in a number of section 104 projects. Such training programs are no less important to the achievement of mandate objectives than projects funded under this section.

Activities funded under section 105 include the use of radio as a way of reaching rural populations in Nepal, Paraguay and several Central American countries; a practical approach in vocational skills training in Ghana, Kenya, the Sahel countries, Nepal, Nicaragua, Panama, Afghanistan, and Swaziland; a new correspondence curriculum at the secondary level in the Dominican Republic; and decentralized school administration in Bolivia, Panama, and Peru.

It is absolutely clear that we must enhance our efforts to improve the administrative capacity of Government and development institutions at all levels (a task force report on this topic is now being completed). This is especially true as we move more deeply and rapidly in attempting to strengthen developing country programs in support

of the poor majority. The provision of training opportunities and technical advice in public administration, project design and appraisal, planning, management and so forth strengthen the vital human resource base on which national development programs must build.

No easy, quick or inexpensive systems now exist or are likely to be developed, although experimental approaches are being tested. Much of our current support in this area is part of specific projects funded under other functional categories, but the 1976 congressional presentation does contain a number of projects primarily focused on administration, particularly in Africa.

AID's participant training program is an important tool in helping LDC's improve the technical and general capabilities of their manpower. (About 7,500 participants will be programed in fiscal year 1976.) Selection of participants and courses of study must be consistent with AID development priorities and/or AID-financed projects in agricultural/rural development, population/health, and the education/human resources area itself. Training to improve the competence of Government administrators in such areas as development administration is, as we have noted, often a prerequisite to further LDC growth. AID policy encourages the training of women, especially in nontraditional fields, and urges the use of training generally to support greater popular participation in LDC development.

4. SECTION 106—SELECTED DEVELOPMENT PROBLEMS [4]

As the committee is aware, the Agency has made major strides in focusing our programs on the three highest priority categories. This is particularly reflected in this account which in the fiscal year 1976 request amounts to $47 million as compared with $220 million in 1973. The list attached at appendix 2, page 41 suggests how many projects which would fit into this category have been turned away in the past couple of years. We reiterate, however, that AID will wish on occasion to provide support to essential infrastructure projects after careful examination of all alternatives. They will be few in number and judged individually in terms of their importance in reaching the poor majority.

There are in our 1976 presentation important activities which deserve support but are somewhat outside the principal categories—post-disaster reconstruction; transportation; industry, energy, science and technology; urban development and housing; program development; and the stimulation of reimbursable technical assistance. Each of these is detailed in the 1976 congressional presentation but it is worth examining in slightly more detail the growing importance of urban development.

While much of AID's emphasis—and that of the Congress—is on the rural poor, there should be no assumption that we disregard the large and increasingly important problems of the urban poor. The largest and poorest majority of people in developing countries still resides in rural areas; nevertheless, an ever-increasing proportion is located in urban areas. [In Latin America, for example, the percentage of the urban population is equal to or greater than that of the rural

[4] See appendix 3 ((4) section 106), p. 56 for a summary statement of AID's programs in this account.

population.] Adding to the natural population increase in cities—an increase which is even more pronounced in rural areas—is the rural-urban migration flow which is fed by real and imaginary differences in opportunity. The dichotomy between "rural" and "urban" is fuzzy at best, given the dynamics of the ebb and flow of poor people between rural and urban areas and the more-rural-than-urban character of many of the nonmetropolitan urban centers in developing countries.

As indicated above, section 103 permits a wide latitude of programs in the rural area, including the development of small-scale industry and services at the small market town level. Beyond this, there is clearly a great deal of AID support ongoing in health, population, and education areas that affects the urban poor, and this will continue. The bulk of our efforts, however, will remain in the rural agricultural areas.

With our urban development policy determination several years ago, we decided not to make the urban sector an area of program concentration, although a small AID/W office was established to develop an agency capacity to take account of the urban aspects of development and to respond as appropriate. This policy determination is being reviewed, and it is evident that a broadened agency mandate on the urban poor and on the areas of overlap between rural development and urban development will be forthcoming.

A closely related area is the housing guarantee program. AID's goal in the shelter sector is to assist LDC's to develop the institutional, technological and financial capabilities to provide shelter under reasonable conditions, particularly for the poor majority. While in the past, housing projects have more often than not resulted in improved housing for somewhat better off economic groups, the program's emphasis is now on meeting needs of the lower income groups. Housing guaranty funds are considered most appropriate for more advanced LDC's or for those whose balance of payments prospects permit repayment of such financing. Where consistent with LDC and AID priorities, development loans or grants may also be used selectively, usually in conjunction with housing guarantee funds, to finance LDC housing which will permit AID to achieve a more direct impact on the housing needs of lower income groups, facilitate the borrower's acceptance of the concept of nonsubsidized low income housing, or assist in the design and implementation of low income housing.

5. SECTION 107—SELECTED COUNTRIES AND ORGANIZATIONS [5]

While this category represents but a small portion of AID's fiscal year 1976 request—$32 million or 3 percent of the functional accounts—it is a very important one as three-fourths of it supports centrally funded private and voluntary organization (PVO) activities. (While the category is intended to include "assistance in support of the general economy of recipient countries," no program loans were made in fiscal year 1975 and none are proposed for fiscal year 1976.)

The PVO's, long active overseas in relief programs, are now eager to apply their experience to a broad range of development activities. To support this evolving emphasis, a growing number of private and vol-

[5] See appendix 3 ((5) section 107), p. 59 for a summary statement of AID's programs in this account.

untary organizations are adding specialized technical skills to existing staff capabilities for long-term development efforts.

AID accordingly has:

—Assisted private and voluntary organizations in expanding the size and scope of their overseas programs;

—Involved additional private and voluntary organizations in development assistance programs;

—Enhanced the capacity of private and voluntary organizations to plan, implement, and evaluate development assistance activities in developing countries; and

—Encouraged cooperation among private and voluntary organizations in program planning and execution.

As AID has moved into a new era of expanded cooperation with the PVO community during the past year, channels of communication have been widened with increased dialog and consultation. Since April 1974, in concert with the Advisory Committee on Voluntary Foreign Aid (ACVFA), AID has sponsored several workshops on policy, administrative and procedural questions associated with planning and execution of voluntary agency development activities. A similar workshop on Public Law 480 title II programs was also held. Other new approaches, such as consortia arrangements among PVO's, are being encouraged to achieve more innovative use of financial and manpower resources. Other current efforts to assure PVO support in the participation style of development include admission of PVO program administrators and other staff in AID training courses on project design, management and evaluation. Special training courses for PVO executive program and field staff are now in the planning stages.

In fiscal year 1975, another initiative using two new grant mechanisms was launched to strengthen the development role of PVO's. These grants—the development program grant (DPG) and the operational program grant (OPG) respond to congressional intent to help PVO's function independently in development programs. Approximately $10.5 million of fiscal year 1975 funds was allocated for such grants as part of a concerted AID effort to tap this great source of skilled overseas experience. $15 million is reserved for similar purposes in fiscal year 1976.

The DPG concept is intended to help AID draw upon the growing desire of PVO's to function independently by enhancing PVO ability to plan, manage and evaluate development activities consistent with the new foreign assistance legislation. These grants will expand PVO capabilities at their headquarters and ultimately in their field programs over a 3- to 5-year period. Twenty-four PVO's are receiving such grants in fiscal year 1975.

The OPG concept was created to stimulate greater direct PVO involvement in planning and implementing their own innovative projects which concentrate on the basic development problems affecting the poor majority. An important hypothesis will be tested through these field programs: That successful private organization programs can be extended under varying conditions without sacrificing the independent character of private programs and their responsiveness to the needs of poor people. Thirty-six PVO's received such grants in fiscal year 1975.

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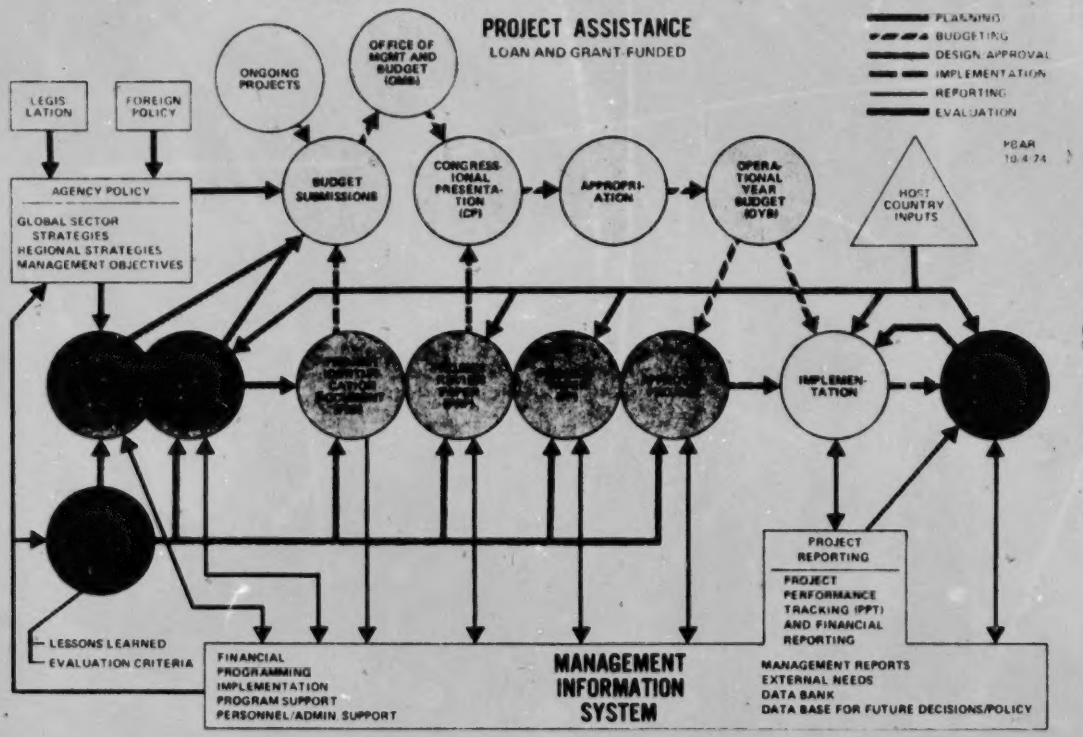
INTERACTION OF MAJOR AGENCY PROCESSES



III. PROCEDURES

Changing AID Systems and Procedures

The committee's October 1974 report suggested that AID needed a more systematic and comprehensive set of mechanisms designed to affect the programing process. While we do not disagree on the need for improvements, AID has had such a system for some time. A substantial modification and improvement of the system is, however, underway. Redesign work began early in 1972 when the Agency embarked on a reform plan to concentrate foreign aid more squarely on areas of basic human needs, but reordering, streamlining and updating the machinery has proceeded with particular intensity during the past 12 months. A comprehensive framework for development and modification of policies and procedures, now emerging, is designed to provide a ready means to insuring compliance with the aid objectives and assistance approaches contained in the 1973 Foreign Assistance Act. This framework is illustrated graphically in the chart facing this page and its processes briefly described in the narrative which follows.

Much progress can now be reported on the actual restructuring of AID's planning, budgeting, project design, review and approval, implementation, financial, evaluation and information systems. A large part of the progress is undramatic yet essential to the efficient management of a program focused on the emphases of the new legislation.

PLANNING

The planning base for country programs is the Development Assistance program paper (DAP) which is intended to provide a multiyear AID strategy for each AID country or subregional grouping. DAP's are now in hand from nearly all countries. While they reflect differing mission capacities and degree of AID involvement in each country, they provide in both their strategy and sector assessment sections a broad basis on which to consider annual budget requests and specific project proposals. Significant internal discussion has been stimulated by the DAP's and they provide a valuable opportunity to reach a concensus on the programing implications of the congressional mandate in each country. Even so, DAP guidance is being revised to give greater attention to the nature of the AID target groups and their primary development needs, to cooperating country policies with regard to these groups and to the establishment of benchmark criteria for measuring improvements. In addition, the Agency is developing new processes to integrate more fully AID's research programs with its new operational program thrust.

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BUDGETING

DAP's provide the background and rationale for basic budget decisions; at the same time the budgeting process is being utilized to verify the continued validity of individual DAP strategies, particularly as they relate to the problems of the poor majority. Projects and numbers contained in the annual budget submission provide the material for a careful review of programs at the regional and central level. Moreover, in recognition of the long-term nature of the development task and the need to assure cooperating countries of a longer-term AID commitment when they undertake basic reforms, the Agency is exploring ways of attaining multiyear funding for grant projects comparable to that provided for loans.

PROJECT SYSTEM

The integration of AID's formerly separate loan and grant system has reduced the three categories of traditional AID assistance (technical, capital and program) to two (project and nonproject) and resulted in an entire new design, review and approval system, more closely integrated with the budget process and focused on problem solving rather than source of financing. The new system, following 6 months of field testing, went into effect on April 23. It incorporates the use of modern management systems techniques in project design (the logical framework) and to assist implementation planning (the project performance tracking network chart). Social soundness and beneficiary analysis have been formally introduced as general requirements of project feasibility analysis, tying the design and review process directly to the task of assuring compliance with Agency policy and the congressional mandate. New guidelines on the duration and phasing of projects are also being issued to tie into the new design system, emphasizing the need to delineate achievable project goals within a manageable time frame.

There are three basic documents in the new system: Project identification document (PID); project review paper (PRP); and the definitive description and appraisal, the project paper (PP). The PID is a short alert document designed to get project ideas on the table. It can be submitted at any time and serves to justify an activity's inclusion in the annual budget submission. It should be consistent with and flow logically from the programing framework established by the DAP. The PRP is a fuller document used to determine whether to proceed on to a full project paper and whether to include the activity in the congressional presentation. Prepared by the AID field mission with the active involvement in many cases of the host country, the PRP and PP will describe and analyze in detail the beneficiaries (initial and ultimate) of the project. The PRP's social analysis will identify and evaluate potential societal impediments to success, et cetera, what patterns would need to be changed; what segments of society may be adversely affected; could any group other than the intended beneficiaries take the project over, diverting its benefits to their own use? The social analysis section also focuses on increasing the role of women in economic activities.

AID recognizes that there is no widely accepted technique for this type of analysis, but we believe it is essential to begin asking these and related questions if we are to be sure of reaching the AID's poor majority target population. Our current capacity to do successful benefit incidence analysis varies from country to country but like all other development agencies is generally limited. The subject is a complex and difficult technical matter and AID is just learning how to approach it. Most LDC governments are not enthusiastic, and there are few knowledgeable experts in this area. We believe the process of improving our capacity—and that of the LDC's—will be slow but extremely important to pursue.

PROJECT REVIEW AND APPROVAL

We have made a major effort to intensify project review in order to assure responsiveness to the new legislation. This system requires review at three steps in the project development process: Project identification, preliminary project analysis, and final project appraisal.

Regional bureaus have prime responsibility for project reviews but the Agency's central review office participates actively in an effort to establish high standards of central policy emphasis without discouraging project individuality. Selected projects are reviewed carefully at the Administrator or Deputy Administrator level. Interbureau review committees now pay special attention to the technical and socioeconomic analysis called for by the emphases of the new legislation.

While this process has particular relevance to new project proposals the Agency is also attempting to revise ongoing projects initiated prior to the 1973 legislation. The operating bureaus, in conjunction with central review office, are undertaking a detailed review of ongoing grant-funded projects (this has already been completed for loans) with particular attention being given to those projects which have been underway for 5 years or more.

We have been able to initiate these new systems without delaying the project development cycle. Projects particularly responsive to the new directions usually deal with largely uncharted territory and are both difficult and complicated, but special efforts made in the past year to speed up the review and approval process have helped move the system along with reasonable speed. It is obvious, however, that it takes longer and is more difficult to design and develop to final approval stage a complicated small farmer organization project than a program loan or large infrastructure project. We assume that, with greater experience and the successful operation of pilot projects, future projects should be easier to put together and implement. The Agency maintains its commitment to thorough analysis as a principal means of improving project design and so no special tracks have been established for "mandate" projects (with the exception of small—under $500,000—projects and private and voluntary organizations grants).

PROGRAM EVALUATION

We are giving particular attention to program evaluation as a means by which project managers in the field can measure progress toward planned targets and search for causal factors affecting success

or failure. Most of our evaluation effort is carried on in the field where the results can be fed directly into program management decisions and into plans for new projects. The Agency's program evaluation effort is being expanded and improved in several ways.

The Agency now requires, as a condition of approval, that all project designs incorporate evaluative elements (for example baseline data, verifiable targets, progress indicators, and explicit design assumptions) as well as an evaluation action plan.

The evaluation system is being extended to cover all programs and projects including development loans, Public Law 480, et cetera, with evaluation methodology and requirements tailored for the characteristics and decisionmaking needs of each class of projects.

The experimental nature of our mandate activities requires increased knowledge about the impact of our activities on broad programing goals and on specific target populations, as well as prompt feedback of our experience into planning. Such impact evaluation is difficult and costly. Consequently we have launched a study to see whether simple methods can be formulated to permit evaluation of the developmental impact of AID-supported projects, that is, the influence and contributions of our assistance on broader sector and national development goals. This effort also is intended to develop improved design methods for delineating the hierarchy of objectives and developmental change to which the individual project will contribute. These include changes in institutional capacity, changes in the structural relationships within a sector, impact on target group productivity and benefits.

Our review and approval process now requires that the project designer demonstrate that he has examined and given appropriate consideration to evaluation findings from similar projects and programs elsewhere. To support this requirement, two initiatives are now in train. First, an Agency task force is formulating a development information system which is intended to assess, distill, and deliver to the reviewer both substantive evaluative findings and state-of-the-art technical information for decisionmaking. Second, the Agency plans an increased number of ex-post evaluation studies of mature and completed projects to expand the data base of the development information system. In Latin America, Africa, and other parts of the Agency, pioneering efforts have been made to evaluate the impact of AID programs on poor people, for example, intercountry evaluations of agricultural sector programs, small farmer organization programs, education sector loans, et cetera.

The Agency is also experimenting with new indicators and other measurement techniques to see what changes occur in the lives of the target populations we propose to affect. These special tools are being developed in connection with individual projects and we are examining the possibility of wider application.

The Agency's program of design and evaluation seminars has been expanded both in the field and AID/W to assure that AID direct-hire, contract, PASA, grantee, and cooperating country officials are able to apply proven design and evaluation concepts and methodologies.

MANAGEMENT INFORMATION SYSTEM

AID's management information system is being overhauled to provide more usable and timely information, with particular emphasis

on monitoring Agency response to the congressional mandate. Work has just been completed on a proposed new activity numbering and classification system for fiscal year 1976 installation to support the new information system. The classification systems provides for a new purpose code which is related to the new appropriation structure and which will facilitate management monitoring of the turnaround of the AID program. A country program data bank—to include data on other donor activity—design has been approved in principle. Proposals are being developed to change the financial information system to better support other information systems. A revised project reporting system has been approved in principle and work is underway to focus nonfinancial reporting on key events or key indicators. A study has been approved to consider the feasibility of establishing an automated data bank of economic and social indicators. All are directed at providing management with the tools to assure that AID programs are designed and carried out effectively and to provide the information necessary to demonstrate the results of AID's programs.

SUMMARY

The major Agency processes are shown diagrammatically, as they interact, in the chart on page 25. The bulk of the modifications to the management system are now in place; all elements are to be fully operational not later than fiscal year 1977. As a procedural system it appears well suited to our needs. However, even an excellent system will not succeed without clear policy guidance, such as is being provided via policy statements, definitions, and conceptual framework papers supporting implementation of the congressional mandate. Twenty-seven of these have already been issued thus far, 18 others are in process, and another 18 are projected. Nor will a perfectly designed procedural system succeed without effective project management, at all levels in AID/Washington and in the field. This is the job of our management information system and of seasoned, experienced leadership and staff.

All of the above enumerated changes in AID's systems should impact significantly on our ability to assure that the considerations which are central to a participation strategy of development are integral in every aspect of AID operations. We will be pleased to provide additional background and detailed description on any of the above program management systems if the committee wishes.

Training and Education in Terms of the Mandate

The committee has urged that "every AID professional employee with any effect on the planning, programing, implementation or evaluation of the Agency's development aid programs be thoroughly exposed to the basic ideas behind the reforms." The Agency has focused on three major approaches to this task which we too believe to be of the utmost importance.

POLICY STATEMENTS

More than 60 policy statements and conceptual framework papers intended to explain and support implementation of the congressional mandate have been identified as necessary. This list attached at appen-

dix 4, page 61 should be considered a dynamic and changing list which is being refined over time. Items are added or deleted as appropriate. Included in the nearly half of these already issued are papers dealing with such topics as: "Aiding the Poor Majority," "Working Definitions of Essential Mandate Concepts." "Integration of Women into National Economies," and "Expanded AID—PVO Relationships"; global policy statements and sector guidelines for rural development, health, nutrition, education, and population; and descriptive guidance establishing a revised project system and some other essential elements of the restructured AID program management system.

Still in process or projected are guidance papers dealing with topics such as rural production, land tenure, savings mobilization, relationships of rural infrastructure to agricultural production, risk avoidance for the small farmer, appropriately scaled technologies, ongoing innovations in low-cost health delivery systems, et cetera.

While the list does not include AID's congressional presentations for fiscal year 1975 and 1976 or reports of the various congressional committees concerned with AID legislation, these are important educational materials widely circulated and read in AID/Washington and in the field.

MEETINGS, CONFERENCES, AND SEMINARS

There is a limit, of course, to the amount of paper that can be absorbed, and while there is much more to be done in providing guidance to missions we realize the importance of direct contact in conveying the essence of the reforms to our staff. Over the last year all the regional Bureaus have held conferences, seminars, and workshops in Washington and at field locations dealing entirely or in substantial part with matters relating to the congressional mandate; more are scheduled for this coming fiscal year.

For example, the East Asia Bureau held a series of extensive briefings and discussions on the mandate in which all but 9 of the approximately 80 professional employees of the Bureau participated. Most of these people have been involved in program and project reviews where specific new directions criteria have been applied. This same patterns has been followed in modified form in other AID/Washington Bureaus.

Mission directors in all Bureaus have been extensively involved in this educational process. A full day at the February 1975 Latin America Directors Conference was devoted to in-depth discussion of the mandate, particularly as it is translated into programs in the three basic sectors. In the same month, East Asia directors and program officers met to discuss the same topic as did the directors for Near East and South Asia (NESA) countries.

But meetings with a broader range of staff are also crucial. In December 1973 the then Asia Bureau (encompassing the current NESA and East Asia areas) held a session attended by a cross-section of program, capital development and technical officers from each mission and AID/Washington to review problems arising from mission efforts to reformulate program ideas along the lines suggested by the new legislation. New project ideas were discussed and problems

of design and implementation considered. At the same time, and stretching over many months, U.S. AID's conducted "training programs" for their professional staffs, sometimes joined by host country professionals. Such programs were carried out in Bangladesh, Afghanistan and other missions in the region.

In East Asia, two field conferences were held for about 70 project managers, about half of whom are host country officials and local national employees of U.S. AID's with additional conferences scheduled for 1975. The Assistant Administrator and Deputy Assistant Administrator for Africa have traveled to nearly every African mission in the past year. Their primary purpose has been to explain to and explore with the entire staff in each location the implications of the mandate for program development. A mission directors conference is planned for September which will especially focus on further developments in this area.

As the role of private and voluntary organizations is so important in the Agency's current approach, special efforts have been made to expose their staff and our own to the essentials of the new legislation. Several major conferences have been held in the past year in which about two-thirds of the participants have been PVO professional staff and one-third AID staff; conference reports have been widely circulated inside the Agency and to the PVO community.

There are many other examples which could be cited, but these are sufficient to suggest that nearly all the Agency's professional employees have been exposed to the basic elements of the legislative reforms. We had considered the desirability of a further 1½-day orientation program in field missions and Washington to be certain that we had not missed any key staff. Upon further consideration, however, we concluded that while such an effort might be useful, the potential benefits did not outweigh its estimated cost—well over $100,000—and the staff time involved.

TRAINING PROGRAMS

While we have set aside the idea of a brief orientation program for Agency staff, we are attempting to integrate a fuller examination of the many issues encompassed by the participation strategy and the other emphasis of the 1973 Foreign Assistance Act into our various AID training programs.

For example, AID has initiated a new 12-week development studies program designed to produce more highly qualified project development officers—some generalists are having their expertise in technical areas deepened, while some technicians are learning management skills. The first cycle begun on May 12 devoted its first week primarily to an analysis of new legislative initiatives. Both House and Senate staff personnel participated in one session. A field exercise component of this training will provide an opportunity for trainees to apply the analytical skills they have acquired in a U.S. development environment—viz. Garrett County, Md., part of the Appalachian region—working with county officials on an economic/sociological based study of the county's development.

Other regular programs—such as the MIDS course at Syracuse, the project management seminars, the Brookings and North Carolina university environmental training program—are now also bringing the concepts of the mandate into the curriculum where appropriate.

We now have in the planning stage three 1- to 2-week training programs. A Washington course is being developed which would provide an opportunity for Agency staff—both Washington and field—to think about, read, study, discuss and debate the many issues that grow out of this different approach to development. As is clear from the preceding section of this report, there are many policy issues and problems that are not easily grasped or understood and there is much room for honest disagreement between professionals in the development field. AID staff need the chance to consider the importance of these new—and old—ideas in the context of their own practical experience. We hope to have a program developed in the next several months which would be run many times throughout the year so that eventually all key staff would have this opportunity to deepen and enrich their knowledge and strength in these areas of the development art.

One of the two programs designed for overseas staff is an analytical skills workshop. This course will focus on sociological, mircoeconomic and political/organizational analysis and the techniques needed to carry them out in support of projects designed to aid the rural poor. The third program is called network management. Here training will support the role change required to shift from managing large direct-hire staff engaged in direct implementation of programs to a role which requires consulting skills, problem-solving, resource transfer and collaborative behavior with counterpart personnel responsible for implementation of projects. We shall keep the committee informed of our plans for these programs as they proceed.

Personnel and Organization

We had hoped that adjustments in AID's staff due to the RIF underway since last October would not have had a substantial impact on the Agency's ability to carry out the reforms of the mandate, but we regret that this has not entirely been true and morale has, unfortunately, suffered. It is inevitable that RIF induced—and anticipated—movements of both Foreign Service and Civil Service personnel have obviously distracted some attention and energies away from program matters. It is a tribute to the Agency's staff that despite the upheavals and uncertainties caused by the RIF that so much progress has been made. But the pressure is not yet over, despite our original plans, for the events in Indochina have resulted in the reduction of several hundred additional overseas positions and so the RIF is as yet unfinished.

The RIF was intended, of course, to help bring our skill availabilities into line with our requirements; reduction of surplus personnel was the first step in the unhappy but long overdue action. We plan to follow it by recruiting additional personnel for certain specific categories especially related to implementing programs associated with the legislative reforms, but as the committee will understand it is a difficult task to be reducing personnel at the same time that other new staff are being hired.

The Agency is under no illusions about the difficulties inherent in mounting and maintaining effective, results-oriented programs. We

recognized early on that attacking the problems of the neediest would require more staff time and effort in the field and involve different disciplines than did the types of operations which characterized many of our programs of the 1960's. We also are deeply conscious of the long history of criticism and charges of overstaffing to which AID has been subjected. Moreover it is our desire and intent to reduce personnel wherever it can be done without serious impact on our programs. (For example, cumulative staff reductions from June 1968 to June 1976 will reduce AID's direct-hire staff by more than 56 percent.)

On the other hand the Agency is also conscious that the front line of the development effort continues to be in the field, and we are determined to assure that each mission is properly staffed with the manpower that a U.S. AID Director believes essential to plan, design, manage, monitor, and evaluate his program responsibility, and effectively.

Accordingly, AID/Washington has been in dialog with the field since last fall in an effort to identify additional position requirements in priority sectors or for functions essential to support activities in such sectors. As of this time approximately 60 additional regular position needs have been identified and approved.

As the field missions become more deeply enmeshed in the complexities of program design and execution under our participation strategy, as additional guidance materials are issued and new program management systems installed, manpower requirements are expected to continue to undergo some adjustment. Often we will be looking for types of personnel in scarce supply anywhere. For example, some of the skill areas in which we already anticipate need for additional recruitment and/or retraining of existing staff are: Rural development generalists, regional planners, development-focused social scientists, practical rural educators, paramedical/low-cost health delivery and rural organization development experts. It is clear that many of these skills will best be obtained through PVO's, on contract from other Government agencies, or from experts of the recipient country, but some will need to be American direct-hire employees. Recent guidance messages to the field and the reopening of the fiscal year 1976 development intern program stress the importance of these new skill areas to Agency programing.

Some AID/W organizational adjustments may also be desirable as we proceed in the new assistance style. The organization of an Office of Rural Development in the Technical Assistance Bureau, mentioned in our preliminary report, is being established and staff are assigned, but here too the RIF action delayed the formal initiation of the office. After the RIF and as experience is gained with a Agency's new systems and procedures there will be an intensified look at the need to adjust the Agency's organizational structure to assure implementation of the new directions.

CONCLUSION

This concludes our rather broad ranging response to the committee's request. While many of the Agency's activities have been touched upon, in a subject this vast it is not possible to be certain that we have explored all matters of interest to the committe. We are hopeful that the committee will find this effort the candid, useful and functional document we intend it to be. We are, of course, prepared at any time to review in detail with members of the committee and its staff this report and AID's effort to implement the reforms of the Foreign Assistance Act of 1973.

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APPENDIX 1

U.S. FOREIGN ASSISTANCE PROGRAM AND WORLD PEACE

U.S. foreign policy seeks international stability within which nations are able to pursue their own social, political, and economic goals.

U.S. foreign assistance programs support policy by contributing to a pattern of worldwide growth and stability within which our own Nation can protect itself and prosper.

Foreign assistance must be a flexible tool. The world is undergoing remarkably swift and profound changes. The new and urgent problems affecting world peace and U.S. self-interest in particular areas underscore the need for continuing adaptability to:

—strengthen our ability to influence peaceful solutions in situations of international tension and potential conflict. Economic, humanitarian, and supporting assistance to peoples and countries facing the prospect or the consequences of war provides resources to alleviate suffering from conflicts and to seek peaceful solutions when international peace and stability are threatened and when U.S. national interests are involved.

—help improve the lives of masses of people who live under conditions of extreme poverty, malnutrition, disease, and ignorance, through assistance to their long-term development objectives so that they—and we—can continue to work in an interdependent world for peace and progress for ourselves and our children.

—alleviate human suffering, foreign assistance has provided a vehicle for prompt help in time of natural or man-made disasters.

The proud tradition of American generosity and humanitarianism is reflected in our foreign assistance program. Americans have always responded to the needs of the hungry, the homeless, the sick, and the oppressed.

The challenge of increasing interdependence among the nations of the world has come fast upon us. The era has passed in which our size, our strength, our technology and our resources posed no limits to our economic expansion and rising living standards. Our destiny and that of the rest of the world are inextricably bound together:

—We depend increasingly on the developing countries for:

Raw material imports to meet the needs of American industry and American consumers. Almost 40 percent of U.S. import requirements for strategic commodities come from developing countries.

Markets in which to sell the products of American enterprise, creating jobs for American workers. Developing countries now buy nearly one-third of U.S. exports.

Opportunities for productive and profitable investment of U.S. capital and technology. One-fourth of U.S. foreign investment in 1973 went into developing countries.

Cooperation in finding international solutions to complex world problems—monetary, food, energy, population, and environment.

—The developing countries need American skills and capital resources to:

Feed their people;

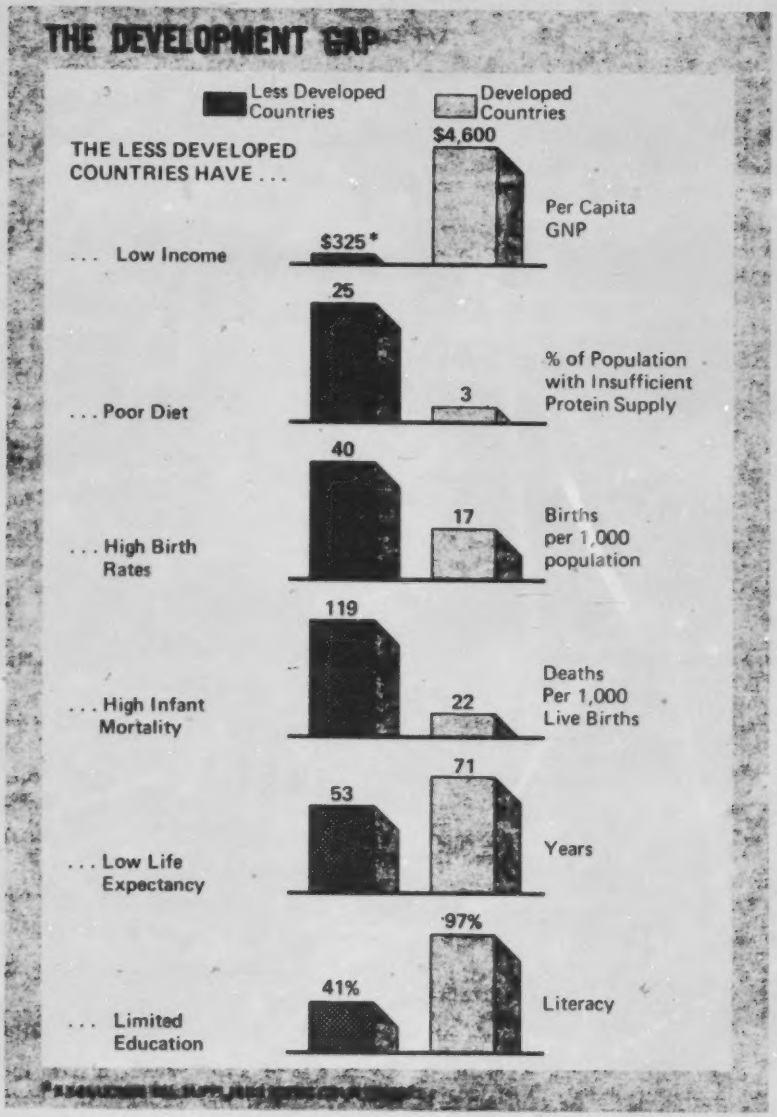
Develop their human resources and assure their people an equitable participation in the benefits of growth;

Exploit their natural resources in environmentally sound ways;

Strengthen their cooperation in building a peaceful, stable world community.

It is not in our power nor in our self-interest to cut ourselves off from the world and attend only to our own problems. Few important problems are either solely domestic or solely international:

—The temporary oil embargo and the fourfold increase in oil prices substantially aggravated inflation in the United States.



—The increased cost of oil and phosphate increased the cost of fertilizer, resulting in less food production in developing countries and higher food prices in the United States.
—Our inflation increased the cost of our exports which developing countries must buy, thus fueling their demand for higher prices for their goods.
—When the fish catch off the coast of Peru dropped because of the vagaries of the Humboldt current, the higher cost of fishmeal for animal feed increased the cost of meat and poultry.

The crucial issue for most countries of the world is development. In the interdependent world in which we live, their development depends on our prosperity, just as our prosperity depends on their development. Now is the time for mature reflection on how we intend to go forward, for our greatness as a nation depends on our willingness to participate with the developing countries in building a better and more prosperous world community.

Many developing countries have made tangible progress. Some former aid recipients are now able to pursue their development goals using their own resources, without concessional U.S. assistance. Others are moving in that direction—but many still need our help in technology and resources.

The Food and Energy Crises

Much of the developing world now faces the most serious challenge to development and stability since World War II. The food and energy crises also seriously affect the United States and other industrial nations—dramatically illustrating and reinforcing the interdependence of rich and poor countries.

The former world food surplus has become a precarious, minimum food reserve. Food production increases of 20 years have been offset by population growth, leaving only minimal increases in food per person; further increases in food production have been hampered by the worldwide shortage of fertilizer, aggravated by the energy crisis.

Global cooperation to find permanent solutions to food shortages is essential. Innovative, imaginative work is needed to:

—improve agricultural technology; expand agricultural research; extend the Green Revolution to new high-yielding crops; improve water conservation and utilization; expand dry land agriculture.

—involve small farmers in developing countries in high productivity agriculture. The benefits of development must reach the poor and needy in rural areas—the landless laborers, the small farmer;

—carry out the U.S.-supported proposals at the World Food Conference—develop grain reserve arrangements; create a permanent international Consultative Group on Food Production and Investment;

—continue and expand efforts to reduce rapid population growth.

Cooperative international efforts are needed to deal with the energy crisis brought on by sharp oil price rises. The energy crisis has had differing effects on the developing countries:

—A few low-population developing countries with financial surpluses have become aid-providing countries;

—Other oil-exporting countries with large, poor populations have brighter prospects for rapid economic development without reliance on highly concessional aid;

—But, a large group, dependent on high-priced oil imports, unable to quickly expand offsetting export earnings, with limited access to commercial borrowing, are in urgent need. Their development efforts of the past two decades are imperiled; they face the possibility of further reductions in the already low living standards of their people.

Assistance efforts must be directed to the countries most seriously affected by the crises in food, energy, and population growth. Our development assistance programs are increasingly focused on helping these countries with their problems:

—The need to reduce population growth becomes ever more urgent.

—Education and skills are essential if the poor are to use modern agricultural methods more effectively.

—Women and minorities must share in the opportunities offered.

These actions are part of the answer to the challenge of despair and poverty for nearly one billion rural and urban poor in the developing countries.

Development Assistance

The food, population and energy crises reaffirm the urgency and thrust of the new directions of our development assistance programs. Earlier development strategies assumed that economic growth would soon "trickle down" to the poor masses. In fact, while the large mass of the poor in some countries benefited from development to some degree, many of the very poorest were either no better, or even worse off, than a decade earlier. Recognition of these trends

and their serious implications has led to a shift in our development assistance strategy for the developing countries:

—Congress restructured foreign assistance legislation 2 years ago to focus our development assistance program on the fundamental problems of the poorest majority:
  food and nutrition;
  population and health;
  education and human resource development.

—The age-old problems of poverty are complex and cannot be quickly and easily solved. Effective attacks will require:
  difficult self-help efforts by the developing countries;
  sustained, imaginative, and innovative assistance programs;
  sufficient resources in manpower, technology, and capital to fill the critical gap.

Rural development is a central problem for developing countries. It requires a combination of:

—economic incentives; farming must be a profitable business if small farmers are to double and treble their production;

—institutional improvements; farmers must be able to obtain credit, buy fertilizer, learn and apply modern technology, and have the distribution and marketing systems needed to sell their increased production. This requires building and improving institutions: Cooperatives, small business groups, local government agencies, market information systems;

—improved and adapted technology; four-fifths of the farms in developing countries are 12 acres or less; most are family farms. The technology needed for these tiny enterprises must be:
  appropriate to the size of the enterprise;
  cheap enough to be afforded by the farmer:
  simple enough to be useful at low levels of skill and education.

—producer and consumer links; rural and urban populations, agriculture and industry, must become mutually supporting:
  farmers must be linked to market towns;
  effective demand must come from consumers in urban areas; this requires jobs and incomes to buy the farmer's product;
  communications systems are needed so that producer and consumer are aware of needs and opportunities;
  distribution and storage systems are required to minimize price fluctuations, avoid "boom and bust" cycles.

Innovations and new initiatives are demanded to meet the challenges of development for the rural and urban poor majority. Our foreign assistance program is proposing new and strengthened emphasis on:

—agricultural research keyed to the problems of the small farmer in developing countries;

—higher yielding crop varieties, more efficient soil and water systems, new and cheaper fertilizing methods, and less dependence on high-cost energy sources;

—improved livestock management.

Combating malnutrition requires a coordinated effort in agriculture, health, education, family planning, food for peace, and food technology. To assist developing countries meet this complex set of problems, our development assistance techniques help increase the capacity to:

—analyze the nature, extent, and cause of malnutrition;

—identify effective ways—within available resources—to strike at the root causes of malnutrition;

—plan, implement, and evaluate cost-effective nutrition programs reaching the most vulnerable groups:
  preschool children;
  pregnant and lactating mothers.

High population growth rates in many developing countries continue to erode development gains in per capita terms. Curtailing population growth is essential to the improvement of individual well-being in overpopulated countries. For a decade, our development assistance program has worked to:

—promote understanding of the population crisis;

—encourage others to support the worldwide population effort;

—create and maintain family planning systems and services, concentrating largely on the delivery of contraceptives and related services. Despite this

effort, contraceptive services are available to no more than 15 percent of the population of developing countries.

Although this is a long-term problem, some success is evident in countries such as the Philippines, Indonesia, and India. Future programs will focus on building the institutional framework for family planning through:

—effective information systems to reach the rural and urban uneducated poor to encourage positive family planning decisions;

—expanding research for better understanding of the economic, social, and other factors which affect population growth;

—developing trained manpower;

—improving administration and management.

Integrated, low-cost health and family-planning delivery systems, imaginatively adapted to the needs of the rural and urban poor, are essential:

—Eighty-five percent of the people in developing countries have no regular access to health services.

—The expensive medical and health education systems of the industrialized countries are beyond the means of most developing countries.

To help meet these pressing problems, our development assistance programs are working to help developing countries:

—design low-cost comprehensive health services delivery systems, including family planning education and services;

—develop imaginative and adaptive new approaches to the problems of preventive and curative medicine, nutrition, endemic disease, environmental sanitation, and potable water supply.

Development and education of human resources—people equipped with the knowledge, skills, and attitudes necessary participate and contribute to their societies—is the bedrock on which all progress has been founded. Lack of educational opportunity prevents the poor majority in the developing countries from participating effectively in the productive process and sharing equitably in its benefits. To contribute to the solution of this fundamental problem, our development assistance program seeks to help developing countries to:

—making practical and relevant learning opportunities available to a greater number of people at lower cost;

—develop innovative and imaginative nonformal educational and learning techniques to equip the poor majority with the essential knowledge and skills necessary for effective participation in the societies in which they live.

Foreign Disaster Relief and Reconstruction

The American people have always helped to reduce human suffering abroad brought about by natural and manmade disasters:

—Special disaster relief funds available through the foreign assistance program enable the United States to provide swift assistance in food, shelter, and medical care to people suddenly cast into situations of severe hardship.

—The recent appointment of the Administrator of AID as the President's Special Coordinator for International Disaster Assistance provides a means for assuring prompt, effective and well-coordinated responses to disasters abroad by U.S. agencies and between the United States, multilateral agencies, and other donor countries.

A new international Disaster Assistance fund is proposed to further improve our ability to alleviate human suffering due to disasters. The fund of not more than $20 million would permit:

—rapid responses to urgent relief needs;

—transition from short-term relief activities to rehabilitation efforts;

—assistance for disaster preparedness, contingency planning, and disaster prediction activities.

Longer-term reconstruction assistance, which often requires substantial levels of funds, would be subject to separate congressional action.

Security Supporting Assistance

The President has ordered a review of our Middle East Policy. We will subsequently be in a position to consider and then propose country assistance levels and their program composition. Similarly, we may be submitting assistance program proposals for:

—Portugal, when we have had the opportunity for further discussion with the new Portuguese cabinet on its policies and programs;

—Cyprus, when we can make realistic projections on Cypriot refugee relief and rehabilitation needs.

Meanwhile, specific program requirements are proposed to finance:

—grants to Malta under a NATO defense agreement;

—cultural, educational, and scientific programs in Spain pursuant to the Base Agreement of 1970;

—technical assistance in management and administration to Bahrain;

—economic assistance to Laos formerly provided under the Indochina Postwar Reconstruction program.

Levels of Total Foreign Economic Assistance

Despite the growing needs of developing countries, total levels of economic assistance from industrialized countries have been declining in real terms:

—Over the past decade, the real per capita income of donor countries (members of OECD Development Assistance Committee), rose 50 percent.

—In the same period, the real value of total official development assistance from these countries fell by 7 percent.

—As a result, the real value of official development assistance provided to developing countries declined by 30 percent per capita after taking into account population growth.

Complementary systems of bilateral and multilateral assistance are essential to maintaining and increasing the flow of assistance to the developing countries:

—Both the "old rich" industralized countries and the "new oil-rich" countries can choose the channels most appropriate to their interests.

—The international financial institutions offer channels through which large amounts of development financing can be provided on an objective, technical basis.

—Bilateral programs are more responsive to the particular priorities and foreign policy interests of donor countries.

—Continued U.S. participation in both bilateral and multilateral assistance systems is vital to the needs of developing countries, to U.S. foreign policy interests, and to the encouragement of further increases in assistance flows from other donor countries.

U.S. bilateral assistance provides a means for focusing our resources:

—on the key problem areas affecting the poor majority in developing countries in innovative ways;

—on the countries most seriously affected by the food and energy crises;

—on problems and areas of critical U.S. foreign policy importance.

The United States must maintain mutually beneficial and interdependent relationships with a wide spectrum of developing countries, ranging from the poorest and most seriously affected, to the newly oil-rich, but less-developed, by choosing the most appropriate techniques at our disposal:

—bilateral assistance;

—reimbursable development assistance;

—contributions to multilateral institutions;

—export credits;

—guaranty of private investments;

—trade preferences.

The Development Coordinating Committee, created by the Congress in the Foreign Assistance Act of 1973 under the Chairmanship of the Administrator of AID provides the mechanism for analyzing and coordinating U.S. policies and programs affecting developing countries.

The Fiscal Year 1976 Economic Assistance Request

The fiscal year 1976 request for economic assistance is summarized in the tables which follow. Further detail will be found in:

—the next section of this volume, entitled fiscal year 1976 Budget Request;

—the supporting volumes which cover proposed programs in:

Africa.
East Asia.
Latin America.
Near East and South Asia.
Interregional.
Management, Personnel, Operating Costs.

APPENDIX 2

LIST OF UNFUNDED PROJECTS

The following is a partial list of projects proposed to AID missions in the past 2 years—either formally or informally—which AID did not agree to finance as they were inconsistent with the main emphases of the new legislation:

AFRICA

Cameroon—Trans-Cam railroad, third stage.
Ghana—hydroelectric dam, wood processing.
Liberia—expansion of telecommunications loan.
Malawi—pulp/paper production.
Malawi, Botswana, Swaziland, Lesotho, et cetera—roads.
Mauritius, Senegal and Mali—hydro and irrigation dams.
Rawanda—conservation project.
West Africa—telecommunication project.

LATIN AMERICA

Bolivia—medium-large farmer project.
Honduras—urban development.

NEAR EAST SOUTH ASIA

Bangladesh—shallow tubewells (benefit larger farmer).
Pakistan—bread factories in big cities (upper income group was primary beneficiary).
Tunisia—national engineering school.

EAST ASIA

Indonesia—Trans-Java highway, Bandung power distribution, East Kalimantan power generator, Gresik cement—second expansion, Luwu regional development: Airstrip and harbor sections, medical hospital, and major dams.
Thailand—urban health centers.

(41)

APPENDIX 3

STATEMENT OF HON. JOHN E. MURPHY, DEPUTY ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT, BEFORE THE SUBCOMMITTEE ON FOREIGN OPERATIONS OF THE SENATE APPROPRIATIONS COMMITTEE, JUNE 13, 1975

(1) Section 103: Food and Nutrition

Mr. Chairman, members of the committee, I am pleased to appear before you today in support of AID's proposed fiscal year 1976 food and nutrition program. We are requesting an appropriation of $534.5 million to help carry out the purposes of section 103 of the Foreign Assistance Act which are ". . . to alleviate starvation, hunger, and malnutrition, and to provide services to poor people, enhancing their capacity for self-help . . .".

Our food and nutrition program for fiscal year 1976 totals $582.3 million, of which $466.2 million is proposed as loans and $116.1 million as grants. This is an increase of $172 million over the comparable program estimated for fiscal year 1975 and represents over 60 percent of the funds planned for activities in the five functional categories. The program is apportioned as follows:

	Millions
Africa	$122.4
East Asia	88.1
Latin America	159.3
Near East and South Asia	219.2
Centrally funded	43.3
Total	582.3

Section 103 is broadly interpreted in the legislative history to consist of activities in support of rural production rather than simply agriculture, with the emphasis on mutually supporting linkages between agriculture, industry, and marketing. Thus, our 1976 program includes projects conceived to achieve objectives such as:

—Increased food production.
—Improved food distribution and marketing.
—Improved nutritional content of food.
—Provision of information on modern nutrition practices.
—Increased income for the rural poor.
—Provision of inputs necessary for productive agriculture, such as:
  —Pesticides.
  —Seed.
  —Fertilizer.
  —Machinery.
—Development of rural market areas and towns.
—Development of small scale rural industry related to agriculture.
—Development and improvement of rural cooperatives.
—Improved rural services, farm-to-market roads, and irrigation systems.
—Improved agricultural research necessary to achievement of a number of these objectives.

We propose to finance the program as follows:

	Millions
New appropriation	$534.5
Recoveries	47.8
	582.3

The "Assessment of the World Food Situation" prepared for the World Food Conference indicates that long-run trends in food production and demand are foreboding. However, I believe that the current U.S. strategy, if vigorously pur-

sued, can help lead to a humane solution of the problem. Our strategy consists of three elements, each addressing a separate aspect of the problem.

—First, we will use Public Law 480 food aid to help meet immediate needs of food deficit nations and provide nutritional supplements for the most vulnerable groups in developing nations. These programs will not solve the malnutrition problem, but they are a necessity until the basic causes of the problem have been alleviated by long-term development efforts.

—In the medium term, we will promote the accumulation of nationally held food grain reserves as insurance against major crop failures and to encourage stability of food prices.

—Finally, we will expand assistance to the developing countries to help build their capacity to insure a secure, long-run balance between food production and population growth. This is the primary goal of AID's food and nutrition program and the topic of my testimony today.

This approach is realistic and workable, but we recognize that achieving the broad, systemic change in rural societies necessary for success will be a complex and difficult task. The main responsibility must lie with the developing countries themselves; commitment of national resources and the establishment of policies necessary to provide for future, long-range food needs require many difficult but essential decisions which can only be made by each sovereign nation. U.S. assistance is carefully designed to help provide the appropriate resources necessary for success in each of the widely varying specific country circumstances.

South Asia has been particularly hard hit by the rising cost and limited availability of agricultural inputs, and past achievements of the Green Revolution have been threatened. AID will concentrate the bulk of our help on government efforts to achieve a rapid increase in production by providing loans to expand the availability of fertilizer and other farm inputs. In Latin America, the main factors constraining agricultural and rural development are economic, institutional and social; not, for the most part, a lack of basic resources. There, AID's program will continue to emphasize the need for improving the performance of those institutions which influence agricultural production. In all regions, however, the 1976 program shares the common theme of seeking to promote the increased productivity and improved welfare of the small farmer.

The unrealized productive capacity of the world's small farmer is the best untapped resource available for expanding agricultural production. There is considerable evidence that small farmers are able to produce yields comparable to or greater than larger farmers if they can get a fair price for what they produce and if they are able to gain access to necessary farm inputs. Implicit in these conditions for growth in agricultural output by small farmers is a requirement for their increased participation—through cooperatives or other local organizations—as their society changes and the economy in which they work develops. This will necessarily involve production for cash rather than barter and for export as well as domestic consumption. Only then will small farmers have the funds necessary to purchase needed farm inputs and the resources required if they are to improve their quality of life. This is the essence of agricultural and rural development. We must be prepared for this process to take a substantial period of time; many basic structural changes will be needed if a lasting solution to the current world food problem is to be found.

Fiscal Year 1976 Programs

Production programs—$322 million.—Despite their difficulties, the developing countries were able to expand their agricultural output in the fifties and sixties just as fast as the developed countries. However, much of their past success is attributable to Green Revolution technologies and the improved seeds, fertilizers, and pesticides on which they depend. Many developing countries—and particularly small farmers within those countries—now confront limited availabilities and rising prices for these essential inputs. Assured supplies of production inputs and improved access to them are critical to maintenance of the progress achieved in the recent past. AID's fiscal year 1976 program would provide $181 million of such inputs—mainly for the countries of South Asia which account for the largest source of the world food deficit. A proposed $40 million loan, for example, will help Bangladesh cover part of its fertilizer import needs which will remain high until domestic production is expanded with the assistance of a fiscal year 1975 AID fertilizer plant construction loan.

The recent drought in Sahelian Africa illustrates the critical importance of another necessary input—water. In fiscal year 1976, we are proposing an $87 million program of irrigation and water resources development. Included is a $15 million loan to help develop an irrigation perimeter in the Senegal River Basin. This project is part of a large, multilateral effort which will ultimately involve dam construction, irrigation works and basic infrastructure to service 5-acre family farms in an area threatened by the encroaching Sahara.

Our program for this coming year also includes $54 million to help expand the production of specific crops and livestock. For example, a small farmer income and production project in the Philippines is directed toward achieving self-sufficiency in rice and corn production and increasing small farmer income. A $7.0 million project will help traditional herdsmen produce and sell more livestock in areas of the five Entente countries of West Africa which are unsuitable for higher quality crop production.

Agricultural research and technology—$49 million.—In the long run, increasing agricultural output in the developing world will depend on the spread of more productive technologies suitable for small farmers. The diminishing supply of arable land, rising costs of production inputs, and the fact that most advanced agricultural technologies are capital intensive indicate the need for expanded research efforts on the problems of the small farmer. In his testimony earlier this week the AID Administrator described in detail our proposal for a new title XII in the Foreign Assistance Act which would give special emphasis and impetus to our expanding research programs.

In fiscal year 1976, AID's program will support extensive research on new varieties of grains with higher yields and nutritional content, on better farm inputs—including biological rather than chemical fertilizers—and on improved farm management. For example, we will be supporting an agricultural research program specifically designed to help Bangladesh's small rice farmers grow other grains and vegetables in the off season.

We are proposing $9.5 million of projects as the food and nutrition share of the fiscal year 1976 central research program which is authorized by section 241 of the Foreign Assistance Act. Most of these activities are conducted at U.S. universities and take advantage of the unique research capacity they have developed in their work on U.S. agricultural problems. In addition, we will continue U.S. participation in multidonor support for international research centers including, for example, $5.1 million for the new International Fertilizer Development Center.

Rural development—$73 million.—Only when small farmers and landless laborers have access to improved services and stronger institutions will they be able to participate meaningfully in their societies and insure the equitable distribution of gains from development. AID's program is designed to help developing nations improve rural infrastructure and utilities, develop market areas and towns, strengthen local institutions, and promote light industry related to agriculture. In Ethiopia, for example, the Ada district development project will help develop sanitary water supplies, improve local roads, promote cooperative societies, and improve farm income for over 12,000 small farmers. Also included is a proposed $4 million loan to Sri Lanka for rice processing and storage. This loan will help to reduce loss and wastage rates within the processing-storage-marketing chain from current levels of 15 percent to a nominal rate of 5 percent. The agrarian reform project in the Philippines will help to develop an organizational structure and management system to efficiently transfer land ownership to some 450,000 tenants farming rice and corn lands.

Agricultural planning and administration—$20 million.—In assisting developing countries to bring about significant changes in rural production systems and institutions, attention must be paid to policy and procedural decisions at all levels. Effectively utilized advisory services play an important role in most projects as they speed the time when developing countries can rely on their own trained personnel; the correct proportion of advisory services to other project components must be decided in each individual case.

There are certain projects that concentrate on enhancing, as a primary goal, improved planning and administration in the agriculture sector. In Nicaragua, the agricultural planning and statistical services project will provide technical assistance and training for the newly created Institute for Campesino development which is responsible for dealing with problems of the rural poor. The national range and rural development project in Kenya will help design and

institutionalize national range management practices which benefit nomadic and seminomadic herdsmen.

Sector programs—$98 million.—Drawing upon extensive analyses of the entire agricultural sector, sector programs provide an integrated package approach combining support for several key elements—planning and policy advice, training, credit, local organization development, marketing, fertilizer, and so forth. A $12 million agriculture sector loan in the Dominican Republic will concentrate on developing an efficient and equitable land tenure system, promoting price stabilization of food crops, and increasing rural savings and employment through rural cooperatives and local infrastructure projects. In Tanzania, the $12 million agriculture sector loan is a follow-on to an earlier sector loan and will support Tanzania's third 5-year plan, focusing on programs of the livestock development authority and its counterparts in the food-grains subsector.

Nutrition—$20 million.—It is estimated that as many as 800 million persons in the developing world suffer from malnutrition. As a result, infant mortality rates are high, children have difficulty learning in school and much labor efficiency is lost. U.S. voluntary agencies (such as CARE) play an increasingly important role in AID's efforts to alleviate this suffering and utilize not only section 108 resources but also distribute the bulk of the specially blended nutritious food provided under the Public Law 480 food for peace program.

To assist the developing countries in their own efforts and to insure complementarity among U.S. activities, AID's nutrition program stresses planning and education, the processing and delivery of nutritious foods and nutrition sector programs. In Costa Rica, a $6 million loan will strengthen the capability of the Costa Rican Government to plan, undertake, and evaluate nutrition programs aimed at the poorest income group in the population, especially children and mothers. In Zaire, a nutrition planning project will assist the government to formulate a national program strategy for combating malnutrition, the country's single greatest cause of morbidity and mortality.

Mr. Chairman, I appreciate this opportunity to present my full statement on AID's food and nutrition account. My colleagues and I would be pleased to respond to any questions you may have on this topic.

Illustrative Projects in Section 103

Full-fledged rural development projects as envisaged in the congressional mandate can cover a very large number of subjects, agriculture, regional planning, local institutions, rural industry, savings and credit, and so on. In several countries, such as Peru and Nicaragua, AID will be involved in the diversity of activities mentioned above. More commonly, however, AID will be involved in just a few, those in which a country is most in need of external assistance, or those which a country has selected as the first steps in organizing integrated rural development. There follows a list of projects which are among the most responsive to the concepts of section 103, in addition to the several mentioned above:

Bolivia.—Includes farm groups, local roads, agricultural marketing, credit, improved technology, farm supply.

Dominican Republic.—Includes improved land tenure for small freeholders and tenants, a major revision of the agricultural credit system aimed at getting small loans to small farmers, rural savings and mobilization, strengthening and expanding farm groups, improved technology and agricultural extension.

Philippines.—Includes improvement of provincial and local governments, with emphasis on planning and financial administration, rural roads, improved technologies, and what appears to be one of the more effective land reform programs now underway in the developing world.

Indonesia.—Of special interest in Indonesia is the cofinancing of the work of U.S. voluntary agencies in rural communities. A variety of activities are included, the main emphasis being agricultural productivity, village crafts, rural roads, and village health.

Afghanistan.—An AID supported rural works project represents Afghanistan's first effort to decentralize decisionmaking to local communities.

Tunisia.—What is intended to be a wide-ranging integrated rural project is now being planned jointly by AID and the Tunisian Government. The project will be located in a recently organized province.

Tanzania.—AID is supporting a number of activities in Tanzania's well-integrated rural development program, including improved technologies, farm groups,

marketing, credit, local roads and small-scale land improvement, and training of middle-level government officials and farmers.

Kenya.—Includes credit, improved farm input and marketing.

Sahel.—The physical characteristics of the Sahel require special emphasis on water and land management with respect to both the considerable technical problems involved and also the needed institutional arrangements. Both livestock and foodgrain production programs are included. The participatory aspects of the Sahel projects are high priority but are being approached slowly and carefully to assure their feasibility.

Swaziland.—AID is supporting the land use and credit portions of the government's fairly wide-ranging rural development program.

(2) Section 104: Population Planning and Health

AID is seeking a fiscal year 1976 authorization and appropriation of $180.5 million to carry out the purposes of section 104 of the Foreign Assistance Act—". . . to increase opportunities and motivation for family planning, to reduce the rate of population growth, to prevent and combat disease, and to help provide health services for the great majority . . .".

The population planning and health program proposed for fiscal year 1976 totals $201.5 million, of which $135.7 million is planned for population and $65.8 million for health. This is an increase of $35.5 million over the comparable program estimated for fiscal year 1975. The program is apportioned as follows:

[Dollar amounts in millions]

	Population	Health	Total
Africa	$6.6	$8.6	$15.2
East Asia	19.8	10.6	30.4
Near East South Asia	15.2	11.0	26.2
Latin America	7.2	29.3	36.5
United Nations Fund for Population Activities	21.0		21.0
Centrally funded and other	65.9	6.3	72.2
Total	135.7	65.8	201.5

These funds will support a variety of activities, in addition to family planning assistance, such as:

—Improvement of health care, including maternal and child health.
—Extension of health systems to rural areas.
—Training of health care personnel.
—Improvement of environmental living conditions, such as:
  potable water.
  better sewage systems.
  prevention of insect-borne diseases.

We propose to finance this program as follows:

	Millions
New appropriations	$180.5
Recoveries	21.0
Total	201.5

The World Population Conference and World Food Conference last fall stressed the interdependence of all people. AID's population and health programs, in concert with those of other donors and of the LDC's themselves, contribute directly to improving the basic quality of life of the poor by tackling the critical problems of rapid population growth, malnutrition, the high incidence of disease and the scarcity of elementary health services.

Population Programs

If present growth rates continue, the current world population of 4 billion would double in 40 years to 8 billion. The developing countries will account for about 85 percent of this growth. The consequences of unchecked population growth in terms of attainable economic growth and basic services for the individual are formidable.

Without major efforts to restrain population growth, development assistance will have little or no impact. Thus, population assistance to reduce birth rates is an essential element of overall development aid; other forms of aid do not substitute for it.

Since its inception a decade ago, AID's population program has concentrated its skills and resources on selected countries with particular emphasis on building a basic infrastructure and a strong manpower base to train family planning

workers, carry out biomedical and social science research for future planning and evaluation, and demonstrate and test methods of providing services. In the future activities which help insure use of available family planning services will be expanded. Essential aspects of the overall effort will be increased interaction with other development programs (particularly health and nutrition), increased collaboration with other bilateral and multilateral donors, expanded family planning information and education programs, improved management and greater participation by other donors to meet the rapidly increasing demand for contraceptives.

Recent Progress

Over the past decade, AID has assisted 43 developing countries on a bilateral basis and another 50 through private organizations and the United Nations Fund for Population Activities (UNFPA).

There is mounting evidence that population assistance efforts have effected fertility declines in several developing countries. In the Philippines, for example, current data show that a trend of rising fertility since 1900 has now been reversed, following introduction of a broad national family planning program supported mainly by AID. Indonesia is experiencing a marked decline in fertility in East Java and Bali where the family planning program is now firmly established.

Fiscal Year 1976 Population Program

The fiscal year 1976 population program includes $135.7 million to support country and interregional programs. These programs concentrate on seven major areas.

EDUCATION AND INFORMATION ($10.1 MILLION)

There is little doubt that educational and motivational efforts are needed to promote widespread voluntary acceptance of family planning services. Such efforts are complicated by the low level of literacy and limited access to low-cost communication media. Working with groups such as the International Confederation of Midwives, the American Home Economics Association and the East-West Center's Communications Institute, AID will continue to develop culturally attuned information programs in selected countries.

MANPOWER AND INSTITUTIONAL DEVELOPMENT ($14.2 MILLION)

Successful population and health programs depend on trained manpower and indigenous institutions to lead and conduct the effort. Emphasis will gradually shift to training of paramedical and nonmedical personnel capable of working at the village level with only limited facilities. For example, through Development Associates, Inc., a private nonprofit organization, various U.S. medical facilities will train female paramedical personnel qualified to teach auxiliary workers who will work in remote rural areas and poorer urban sections of their countries. Under a new program several American institutions will be selected to train community nurse administrators and educators from such countries as Kenya, Tanzania, Korea, and Afghanistan beginning in fiscal year 1976.

DEMOGRAPHIC DATA COLLECTION AND ANALYSIS ($7.8 MILLION)

Demographic and social data are needed to help officials understand population growth and its economic and social implications. Furthermore many population programs are now at a stage where measuring impact is both feasible and essential. In fiscal year 1976, AID will continue to support the World Fertility Survey which now covers 40 developing countries. Jointly funded with the UNFPA, the Survey provides basic data needed to measure fertility change and the effectiveness of family planning programs. A new project will help selected Central American countries, Pakistan, Kenya, Tanzania, and Ghana monitor demographic impact and compare family planning acceptors with nonacceptors according to a range of demographic and socioeconomic criteria.

POPULATION POLICY AND FERTILITY BEHAVIOR ($6.7 MILLION)

The complex questions of motivation and fertility determinants will be given greater attention in AID's fiscal year 1976 program. During the past year AID has prepared a social science research strategy and initiated a new research project on the social determinants of fertility. With the cooperation of other

donors, additional research will be carried out on the social, cultural, legal, religious, and other factors which influence fertility. In particular, areas which offer alternative roles to childbearing and domestic responsibilities for LDC women, such as female education and employment, will receive increased attention. Key target countries for social science research efforts include Pakistan, Philippines, Kenya, Bangladesh, Colombia, and Egypt.

FERTILITY CONTROL TECHNIQUES AND OPERATIONAL RESEARCH ($8.8 MILLION)

AID's successful biomedical research program has helped devise reasonably inexpensive and simplified fertility control techniques. However, additional methods and improvements in current methods are needed to make them more acceptable and suitable for use in developing countries.

FAMILY PLANNING DELIVERY SYSTEMS ($67.1 MILLION)

Most developing country citizens do not yet have access to even the most basic population and health services. Major emphasis will be given, therefore, to continuing expansion of service coverage to the great mass of rural and urban poor, who tend to have the highest fertility, worst diets, and poorest health. Provision of services via delivery systems is the largest single element in our proposed population budget. Included in this amount are $27.6 million for the provision of technical services and support and $39.5 million for contraceptives.

The intermediaries are a critical part of AID's population assistance effort. In fiscal year 1976, $30.6 million is allocated for programs of these organizations. For instance, the International Planned Parenthood Federation (IPPF) currently has programs in 84 LDC's. Their primarily objective is to initiate or improve existing indigenous family planning programs by providing commodities and budgetary support for projects and technical assistance in information and education and related activities. Of special interest are innovative projects in community based distribution systems which IPPF has established in such countries as Sri Lanka, Colombia, Thailand, and Ghana.

The "Pathfinder" fund is another example. It emphasizes training and motivation programs for host country personnel and provides subgrants to local programs. Projected subgrants for 1967 include paramedic IUD training in the Philippines, a commercial marketing project in Ethiopia and rural family planning clinics in Senegal, Haiti, and Bangladesh.

During the past year the demand for contraceptive supplies has markedly increased. Provision of commodities must be designed to serve as a catalyst to institutionalize public and/or private channels of supply. Over the long term, commercial distribution and indigenous production of contraceptives must be developed in order to shift the responsibility to the developing countries themselves. Pilot activities in Jamaica and Bangladesh are now testing the feasibility of commercial distribution channels. In collaboration with other donors UNFPA is surveying LDC facilities for contraceptive production.

Innovative delivery systems that combine family planning with simple health measures are required. AID will continue to support prototype integrated low cost health service programs in such countries as Thailand and Colombia.

UNITED NATIONS FUND FOR POPULATION ACTIVITIES ($21 MILLION)

Efforts to involve other donors in population activities have been highly successful. For example, the number of donors to the UNFPA has increased from 2 in 1968 to 48 in 1974. LDC demands for population assistance exceed donor support. U.S. support of the UNFPA through a proposed 1976 pledge of $25 million—$21 million in fiscal year 1976 and $4 million in the fifth quarter—in concert with other donors will help extend family planning services and information through nonmedical delivery systems, agricultural extension services, and village level clinics.

HEALTH

Survival is still tenuous for most people in developing countries. Infant mortality is approximately four times higher than in United States. For the very poor, life expectancy is almost 30 years less than in the United States. Perennial breeding of insects and continued pollution of water and soil create an overwhelming environmental risk for rural families. Millions of cases of malaria, river blindness, and schistosomiasis [snail fever] occur annually. While most

LDC's seek adequate health systems, such systems are based on advanced Western medical techniques and thus are often beyond their means. Radical rethinking of existing health service concepts is needed now if the majority of people in the poor countries are to be covered at a cost LDC's can support on their own.

Fiscal Year 1976 Program

AID's health assistance emphasizes three areas: development of low cost integrated health delivery systems, improved health planning and management, and prevention of major rural environmental health hazards.

More than 85 percent of the people in the developing countries do not have access to basic health and family planning services. Few models of low cost health care exist. In approaching this priority, *over $19 million is proposed for health delivery programs in fiscal year 1976.* New rural health delivery programs in Bolivia and Nicaragua are proposed. In Afghanistan, where only 5 percent of the rural population have access to health services, a new project will design and test low cost outreach delivery systems. In Africa, programs are beginning in Liberia, Ghana, and in the Central West Africa Regional area. In total by the end of fiscal year 1976 AID will be assisting 25 programs as compared to only 1 in 1971.

A major new AID initiative is expanded support for preparation of national health plans and sector analyses in relation to overall development planning. In 1976 AID proposes to budget *approximately $8 million for health planning and management.* AID is now helping prepare 27 national health plans or sector analyses, up from 4 such studies in 1973, as a part of a collaborative effort with WHO. AID will also sponsor eight regional conferences on methodology of health sector planning and analysis for LDC leaders in a direct effort to help LDC's help themselves. AID has drawn on the professional resources of HEW, the University of Michigan and the Johns Hopkins School of Public Health for guideline development, analysis and training.

Environmental health is one of AID's major concerns. *Approximately $39 million is proposed for environment and disease control.* AID is helping poor countries find low cost methods to meet their rural water needs. Programs planned for fiscal year 1976 include a $9 million loan to Bolivia to develop a rural community potable water and waste system. This project will provide for construction of simple potable water systems, with water delivered to communities through public taps, standpipes and wells.

AID is working with the World Bank, WHO, and other donors to develop a global plan for water borne disease epidemic control. Cholera epidemics which attack all continents but the Americas is a focal point. A primary factor in this vital international search is the AID funded cholera research laboratory in Bangladesh which is field testing new vaccines for cholera control.

Cooperative efforts are also under way to study how the United States can contribute to control of snail fever (schistosomiasis), one of the greatest hazards in rural areas. AID will continue to support ($1.5 million in 1976) an international effort to control river blindness in the Volta River Basin. Kuwait, the African Development Bank and Japan have joined the United States in financing this program.

Malaria remains the most serious biological hazard to expansion of agricultural production. Despite previous major successes in reducing the impact of the disease, it has recurred in Pakistan, India, Nepal, Thailand, Indonesia, Central America and Haiti. AID will support antimalaria programs in Indonesia, Haiti, Ethiopia, and Pakistan and WHO research on methods of malaria control other than DDT. AID, in cooperation with WHO, will continue testing of biodegradable analogues of DDT in village scale tests in Indonesia.

The adverse impact of capital projects, such as roads and irrigation systems, on biological environment will be assessed and ways to reduce major environmental diseases which affect the rural majority will be identified. The U.S. Environmental Protection Agency will assess the relevance of U.S. methodologies for water pollution control to developing country needs and capabilities.

In summary, the basic groundwork for reducing birthrates, death rates, disease, and malnutrition has been laid in many countries. However, substantial population increases will continue over many years even if the two-child family becomes the norm in this century, since the bulk of LDC populations are in the youngest

age groups and still have their childbearing years ahead. Thus, major efforts are needed now if reduction in the rate of population growth is to have any chance of realization.

Moreover, it will take many years of persistent efforts to overcome the deeply ingrained dietary and other health habits and provide the necessary services to combat disease and reduce population growth. There are no short term solutions to these problems which affect the majority of people in the LDC's. Their leaders must adjust the practices of modern medicine to the complex demands of tradition, religious beliefs and social institutions.

But this long range view must not act as a deterrent to strengthening assistance efforts now. What the United States and others do now to expand efforts at solving population and health problems will be a major determinant of whether the developing countries can effectively manage their futures.

Mr. Chairman, I appreciate your patience in letting me present this statement in support of our population planning and health program. My colleagues and I will be happy to respond to any questions you may have.

(3) Section 105: Education and Human Resources Development

AID is seeking a fiscal year 1976 authorization and appropriation of $71 million to carry out the purposes of section 105 of the Foreign Assistance Act—". . . to reduce illiteracy, to extend basic education and to increase manpower training in skills related to development . . .".

The proposed fiscal year 1976 program for *Education and Human Resources Development*, which totals $95.3 million is apportioned as follows:

	Millions
Africa	$16.7
East Asia	11.2
Latin America	50.0
Near East South Asia	10.7
Centrally funded and other	6.7
Total	95.3

It is proposed that the program be financed as follows:

	Millions
New appropriations	$71.0
Recoveries	24.3
Total	95.3

The $95.3 million proposed for fiscal year 1976 represents an increase of $14.7 million over the estimated fiscal year 1975 levels of $79.6 million. The fiscal year 1976 request is composed of $57.3 million for grants and $38 million for loans.

Activities included relate to:

—Increasing the relevance and scope of education (includes curriculum reform, expanding educational opportunities, educational technology, and improve teacher training).

—Non-formal education (including literacy and low and medium level skills training).

—Support for developing national universities.

—General scholarship, training, administration and management programs.

Developing countries have made extraordinary progress in expanding and improving their education systems in the past 20 years; vast numbers of schools have been built and teachers trained. Entire technical and university systems have been established and staffed and are now turning out qualified graduates. As a result, literacy rates have shown remarkable increases, opportunities for training at all levels are often available without going abroad, and the general level of useful skills has been greatly enhanced.

But many fundamental problems remain.

—Population growth has outpaced the financial and technical capacity of governments to expand the education system.

—Traditional education programs all too frequently are not relevant to basic development needs.

—Large portions of the poor majority usually fail to benefit from existing education systems.

In a world of plenty, education may connote literacy and wide learning, truth for its own sake as well as a means to progress. In a world of want, education must unfortunately of necessity be something far more restrictive and practical—a means to improve living standards rather than an end in itself. AID defines "minimum practical education" to be that body of knowledge, attitudes, and skills necessary to effectively contribute to and participate in a developing society and economy. Education should help equip developing country citizens cope with their most pressing problems—hunger, ill health, and lack of more productive employment.

Minimum practical education varies with the situations people face. Meeting the learning needs of the poor majority with severely limited resources requires considering new as well as traditional approaches, particularly those that engage the poor themselves at all stages of the process. AID's fiscal year 1976 program reflects this general approach. I should emphasize at this point, Mr. Chairman, that this approach to education means that a considerable amount—perhaps $25 million or more—of training and education activity takes place in projects primarily focused on targets associated with categories 103 and 104. Thus, for example, agricultural education projects would be found in category 103 while the training of health or family planning workers would fall into category 104; moreover, some skills training is a part of almost every project we support whatever the functional account.

Fiscal Year 1976 Program

Increasing the Relevance and Scope of Education ($44 Million)

Curriculum reform, the expansion of education opportunities, the development and use of new educational technologies and improvement of teacher training are of vital importance if the tremendous shortage of relevant trained manpower is to be reduced.

Rural education loan projects in Nicaragua and Bolivia, for example, are designed to increase access of rural populations to education. These loans, based on the findings of extensive education sector analyses, support integrated government programs which focus on teacher training and improved policy planning and implementation capability.

Another approach is the $11 million education sector loan in Panama. This project stresses basic education and an integrated vocational education program, training in agricultural production skills, nutrition and health education, and the encouragement of increased participation in educational activites by adults in their local communities. The loan will help finance innovative pilot programs designed to provide improved education at lower costs; these grow out of successfully tested experiments instituted under a 1970 AID loan.

The utilization of modern educational technology provides increased opportunities for relevant learning at bearable cost. To expand our knowledge in this fast changing area, an interregional educational technology grant promotes research which will adapt recent advances to fit developing countries and strengthens the capacity of U.S. institutions to provide the expert guidance which LDC's can draw upon. Building on previous AID work in Colombia's education sector, an educational technology loan is proposed which will support design, production, and distribution of newly developed practical instructional materials for primary grades; a system of field education extension agents will be established to provide supervision and assistance to teachers in utilizing the new material.

Nonformal Education ($17 Million)

The formal school system must be supplemented by a variety of nonformal educational alternatives, including projects that attempt to improve awareness, literacy and skills levels of children and adults all too often neglected by traditional systems.

For example, seven proposed grant projects are designed to increase radio and television use to reach large numbers of people beyond the reach of formal school systems. The radio education pilot project in Nepal will help develop the all important program materials needed for a real test of radio as a nationwide training tool in the difficult terrain of Nepal.

Women are an important but frequently neglected development resource. AID, consistent with section 113 of the FAA, is taking an active role in encouraging the full integration of women into the economy of developing nations. While we now require that all AID project proposals address this issue, one effective route to enhance women's role is through non-formal training programs; grant projects in Africa and Latin America are proposed in fiscal year 1976 which have as their primary purpose improvement of the status of women.

Trade unions play an important role outside the formal education system in training for credit union and consumer cooperative work, organizational leadership skills, health and nutrition education and the upgrading of vocational skills. $10.5 million is proposed in fiscal year 1976 to continue support for these labor programs in all four of AID's geographic regions.

SUPPORT FOR DEVELOPING NATION'S UNIVERSITIES ($3 MILLION)

The proper form and channel for education assistance will vary depending upon the circumstances. While most of AID's direct assistance to institutions is concentrated on work at a lower level closer to the immediate needs of the poor majority, universities play an important role in developing countries and we continue to provide support for them in selected cases. This is particularly true in the agriculture sector, but there are also several in the general education category. In fiscal year 1976 we will carry on our program at the University of Botswana, Lesotho and Swaziland, the major source for middle and higher level manpower in these southern African nations. Our assistance to Afghanistan's only university, which is introducing new curriculum stressing applied technical skills, will be completed in fiscal year 1976.

GENERAL SCHOLARSHIP, TRAINING, ADMINISTRATION AND MANAGEMENT PROGRAMS ($31 MILLION)

By now over 170,000 participants have been trained by AID and predecessor agencies; it is through this avenue that much of America's most significant impact on the developing world can be seen. Included in this category in fiscal year 1976 are several large scholarship and training programs: (a) support for the Latin American Scholarship Program of American Universities ($2.4 million); (b) regional programs for training several hundred Africans, both in Africa and in the United States, in development related fields ($3.2 million); (c) the funding of up to 500 students at the American University of Beirut ($3.1 million); and (d) a $5 million project in Indonesia which will extend on a loan basis the highly successful grant funded participant training project.

These programs are but a part of a $32 million AID participant training program (supported by funds in all functional categories) which will finance training of about 7,500 LDC participants in fiscal year 1976. These individuals, representing many development-oriented disciplines, receive training at hundreds of American and third-country institutions before returning to their own countries to play an important role in the development process.

In this connection, your committee's recent report correctly reported the serious economic and social consequences of the emigration of skilled personnel from LDC's to the United States. We are pleased to note, however, that AID's record in this area is excellent. Through fiscal year 1974, better than 99 percent of AID-financed participants (excluding the special case of Vietnam) returned to their country of origin after completing training in the United States.

It is absolutely clear to me, Mr. Chairman, that we must enhance our efforts to improve the administrative capacity of government and development institutions at all levels. This is especially true as we move more deeply and rapidly in attempting to strengthen developing country programs in support of the poor majority. The provision of training opportunities and technical advice in public administration, project design and appraisal, planning, management and so forth, strengthen the vital human resource base on which national development programs must build. Much of our support in this area is part of specific projects funded under other functional categories. There are, however, projects in each region primarily focused on administration. Thus, in several African regions, special projects are underway and proposed which will expand local capacity to plan, program and implement development projects. In Latin America the emphasis in several grant projects is on enhanced administrative capacity in economic areas—economic planning, taxes, budgeting, et cetera.

Mr. Chairman, I appreciate the opportunity to present my statement to you. My colleagues and I would be pleased to respond to any questions you may have concerning the education and human resources development program.

(4) Section 106: Selected Development Problems

For fiscal year 1976, AID is requesting an authorization and appropriation of $45.3 million for the "Selected Development Problems" account. Programs funded from this account are "to help solve economic and social development problems in fields such as transportation, power, industry, urban development and export development." (Section 106 of the Foreign Assistance Act.)

The fiscal year 1976 program totals $46.8 million, $13.2 million below the comparable program level for fiscal year 1975. The fiscal year 1976 program is approtioned as follows:

	Millions
Africa	$11.6
East Asia	7.1
Latin America	12.4
Near East South Asia	3.7
Centrally funded and other	12.0
Total	46.8

We propose to finance the program in the following way:

	Millions
New appropriations	$45.3
Recoveries	1.5
Total	46.8

As the committee is aware from AID's fiscal year 1976 congressional presentation and from my previous testimony on sections 103, 104, and 105, the Agency has made major strides in focusing our programs on the three highest priority categories. In fiscal year 1975, 87 percent of our development assistance was funded from the first three functional accounts, and in fiscal year 1976 we plan to finance 92 percent of our program in these categories.

There are, however, important development problems which continue to deserve some attention by the United States foreign assistance program. At $47 million, our funding is now sharply below the 1973 level of $220 million, but we believe that projects in the following major areas should not be neglected:

—Post-disaster reconstruction;
—Transportation;
—Industry, science and technology;
—Urban development and housing;
—Program development; and
—Stimulation of reimbursable technical assistance.

Post-Disaster Reconstruction

Extensive reconstruction is required in two Latin American nations in the aftermath of natural disasters:

—Hurricane Fifi destroyed roads and flood control facilities in Honduras; a $5 million loan to help restore these facilities is proposed in this category as a follow on to grant financed relief and rehabilitation efforts;
—Managua, Nicaragua, is being rebuilt following the earthquake of December 1972; $4 million in loan funds and a $420,000 grant from this category will assist the government's efforts to improve transport systems, construct earthquake-proof public service facilities, and to strengthen reconstruction planning capacity.

Transportation

Better transportation facilities improve communications, ease the movement of agricultural commodities and provide access for the rural poor to health and other social services.

—The major project in this category is a $6 million loan to Zaire to expand port and service facilities on the Zaire River; part of a broad multidonor road and river transport program, this project will improve the movement and marketing of agricultural commodities.

Industry, Science, and Technology

American skills in industry, science, and technology are widely sought in the developing world. Professional relationships established under concessional assistance arrangements will, we believe, carry over in the form of continuing associations of mutual benefit once AID programs are no longer required.

—AID's final loan in Korea will be for a $5 million project to support establishment of an industrial standards system which should help spur United States-Korean contacts and understanding in this important field.

—The U.S. National Academies of Sciences and Engineering have helped 18 developing countries—including Guyana, Sri Lanka, and Guatemala—to formulate national science policies and to select and adapt appropriate industrial technology. For fiscal year 1976, we are proposing $2 million in grants to continue these programs and similar activities with the National Science Foundation and the National Bureau of Standards.

Urban Development and Housing

Major economic and social problems develop in urban areas as the rural poor leave their homes and come to the cities in search of improved economic opportunities. Rural development programs must focus on this fundamental problem, but we cannot neglect the broad range of problems faced by the evergrowing mass of urban poor. Many of our programs in other functional categories assist city dwellers—for example, family planning—but we also have underway specific programs in section 106 to increase AID's capacity to help LDC's analyze their urban problems.

Under the centrally funded urban development program, AID has helped devise new techniques for identifying necessary social services for the urban poor and for improved urban land-use planning. A pilot demonstration is proposed for a site in Nicaragua in fiscal year 1976, and AID is in the process of selecting demonstration sites in Asia and Africa. In addition, our housing guarantee program gives priority to the provision of low-cost housing for the poor. In Gabon and the Cameroons we proposed a $500,000 grant to assist the formulation and development of a sound shelter policy for low-income groups.

Program Development

Mr. Chairman, as our rather extensive congressional presentation volumes suggest, we seek to provide the Congress with extremely detailed presentations of our project proposals. We try to be candid and forthright; it is inevitable, however, that some changes will occur in project descriptions during the year given the nature of the development business and the leadtime involved in preparing our presentation. We do, of course, notify the Congress of any major changes under the section 113 notification procedure.

In this same spirit we have tried to respond this year to the concerns stated in the committee's report that general feasibility study projects should not be funded under section 106. In nearly all cases we have decided to finance such projects from several functional accounts, attempting to the maximum degree possible to identify the likely funding level from each one. This inevitably entails a certain degree of risk, for at this time not every specific study topic and precise cost has been determined; our estimates are based on past performance and anticipated fiscal year 1976 program requirements.

I cannot overstate the importance of this type of work, Mr. Chairman. LDC capacity to develop viable projects in key development sectors is involved. We need to be able to respond to needs recognized by LDC governments and our missions. Such efforts are particularly important now as we push ahead in the areas emphasized by the new directions of the legislation. We hope that you will appreciate that AID needs the modest degree of flexibility which general but totally candid descriptions of such activities provide.

Stimulation of Reimbursable Development Programs

Section 607 of the FAA authorizes AID to arrange for provision of American technical services on a country-financed basis. While in effect for some time, this program has become increasingly active with the growing demands for skills and services on the part of more affluent developing countries. The establishment of joint commissions in Iran, Saudi Arabia, and several other nations has heightened the demand. We believe that significant investment, trade and development opportunities for the U.S. private sector should grow out of these reimbursable programs. Under the authority of recently enacted section 661 of the Foreign Assistance Act, we have programed $1 million in fiscal year 1976 to facilitate and stimulate this country-financed technical service program. If demand warrants, additional funds will be programed after prior notification of the Congress.

I appreciate the opportunity to make this statement on our fiscal year 1976 program for selected development problems. My colleagues and I would be happy to answer any questions you may have.

(5) Section 107: Selected Countries and Organizations

For the program in selected countries and organizations AID is requesting authorization and appropriation of $32 million ". . . for development programs conducted by private or international organizations." (Section 107 of the Foreign Assistance Act.)

The fiscal year 1976 program totals $31.9 million. This constitutes slightly more than 3 percent of the total program proposed for the five functional accounts and compares to a fiscal year 1975 program of $38.6 million. (It should be noted that the support of three voluntary funds of the Organization of American States which in previous years was funded from this account has been shifted in fiscal year 1976 to the "International Organizations" account; the fiscal year 1975 OAS program level was $13.7 million.)

The fiscal year 1976 program includes two main types of activities:

—Support to U.S. private, and voluntary organizations, and

—Contributions to selected regional and international organizations.

The program is allocated by geographic area as follows:

	Millions
Africa	$3.8
East Asia	1.2
Near East and South Asia	.5
Centrally funded and other	26.4
Total	31.9

We proposed to finance the program in fiscal year 1976 as follows:

	Millions
New obligational authority	$32.0
Plus recoveries	4.9
Less transfer of funds to the State Department, Office of Refugee and Migration Affairs, under the authority of the Migration and Refugee Act of 1962	—5.0
Total	31.9

Prior to fiscal year 1975, "assistance in support of the general economy of recipient countries" (excerpt from sec. 107 of the Foreign Assistance Act) constituted the bulk of the "Selected Countries and Organizations" account. With the shift in AID's program emphasis away from large-scale resource transfers, this is no longer the case—no program loans were made in fiscal year 1975 and none are proposed for fiscal year 1976. Instead, the major focus of this category is on strengthening American and indigenous private and voluntary organizations so that they can play an increasingly important role in the developing world.

Assistance to Private and Voluntary Organizations (PVO's)—$24.9 Million

U.S. private and voluntary organizations have a long history of working cooperatively with AID and the LDC's in furthering development objectives on a people-to-people basis. In addition to their special skills and dedication, PVO's are a major source of nongovernmental foreign assistance. In 1974 those organizations registered with AID spent almost $1 billion for overseas activities, two-thirds of which was raised from private contributions.

AID supports private and voluntary organizations through four interrelated programs:

—Reimbursing voluntary agencies for ocean freight costs associated with overseas shipment of donated goods; $7.6 million is now proposed for this purpose in fiscal year 1976, but the requirements are under continual review.

—Providing general program and budget support to established U.S. voluntary organizations.

For example, in fiscal year 1976 we propose $4.5 million to support the International Executive Service Corps. Since 1965, this organization has provided the services of 3,300 volunteer executives to help commercial enterprises throughout the world improve their managerial and technical skills.

We also propose $4.2 million for the Asia Foundation which fosters the work of leading individuals, community groups, and private and public agencies in 15 Asian countries. Its program supports education, development administration, rural development, and population planning projects.

In addition, we plan to provide general support to the Volunteer Development Corps, the National Rural Electric Cooperative Association, the Cooperative League of the U.S.A., the International Eye Foundation, and a number of other U.S. private and voluntary organizations engaged in overseas development work.

—Development program grants, a new program set up in fiscal year 1975, will help PVO's plan, implement, and evaluate their overseas development programs. The program was created in response to increased PVO interest in shifting from their traditional concentration on relief and humanitarian assistance to place more emphasis on basic development problems. In fiscal year 1975, $5 million is being made available to 24 PVO's; a comparable level is planned for fiscal year 1976.

—Operational program grants also set up in fiscal year 1975 as a companion to the development program grant, will provide PVO's with funds to design and implement development programs in the areas of food production, nutrition, rural development, population planning, health, and education. This program will also test whether established and successful PVO programs and techniques can be expanded on a broad scale without sacrificing their people-to-people characteristics. Funds for this purpose are included under the particular development account related to the purpose of the individual activity.

A total program level of about $15 million for these latter two activities is planned for fiscal year 1976.

SELECTED REGIONAL AND INTERNATIONAL ORGANIZATIONS—($6.8 MILLION)

For fiscal year 1976, we propose $6.8 million to support the development efforts of a number of regional and international organizations including:

—$1.2 million to the Economic Commission for Africa to provide senior level experts to work with African planning and rural development ministries to prepare proposals for U.N. and other donor funding;

—$1.8 million to the African Development Bank to assist that institution in the design and development of capital projects. For the period 1974–76, the African Development Bank plans a lending program of $110 million. However, African countries and regional organizations lack the skilled manpower to design and develop activities to qualify for Bank funding. The grant to the Bank will finance the services of skilled advisers and provide for necessary technical studies.

I should point out, Mr. Chairman, that this project is part of an ongoing technical assistance program begun in 1968. It is not for the purpose of either a development loan to supply capital to the Bank or for a capital contribution to the Bank's soft window, the African Development Fund. Thus, we believe section 107 funding is the most practical and appropriate.

—$1.0 million for the South East Asia Development Advisory Group to stimulate research and the exchange of ideas between Asian and U.S. scholars, businessmen and Government officials on development issues of major concern to AID programs.

—$1.3 million for support to other U.S. Government agencies to cover training services for United Nations fellows in such fields as agriculture, manpower, statistics and social welfare. The fiscal year 1976 program will principally involve the Departments of Agriculture, Interior, Labor, Commerce and Transportation and will provide training for approximately 750 participants.

Mr. Chairman, thank you for the opportunity to present this statement on the selected countries and organizations category. My colleagues and I would now be happy to answer whatever questions you may have on these subjects.

APPENDIX 4

POLICY STATEMENTS AND CONCEPTUAL FRAMEWORK PAPERS SUPPORTING IMPLEMENTATION OF THE CONGRESSIONAL MANDATE AND STATUS

May 29, 1975

A. General

1. Congressional Mandate Draft Analysis AIDTO Circular 739, November 6, 1974 (Issued).
2. Congressional Mandate: Aiding the Poor Majority and Mandate Definitions AIDTO Circular A-263, April 30, 1975 (Issued).
3. Employment and Income Distribution Objectives for AID Programs and Policies (PD-48, October 2, 1972); Policy Background Paper on same subject issued concurently (Issued).
4. Guidelines for Evaluation of Capital Projects, January 1975, Chapter on Equity and Benefit Incidence (Issued).
5. Socio-Economic Criteria of Aid Donors AID Circular 584, May 22, 1973 (Issued).
6. Source Book on Developing Country Policies on Popular Participation, June 26, 1972 (Issued).
7. Socio-Economic Changes and Political Participation Huntington-Nelson Report, September 1973 (Issued).
8. Integration of Women into National Economies PD-60, September 16, 1974; also PHA, OIT, and Regional Bureau airgrams on same subject. TAB is exploring research needs (Issued).
9. Private Sector, AIDTO Circular A-855, December 27, 1974 (Issued).
10. Action Steps to Enhance AID's Relationship With Private and Voluntary Organziations including U.S. Cooperatives in LDC Development Activities. Approved by Administrator February 5, 1974 (PD- —) (Issued).
11. Private and Voluntary Organizations, AIDTO Circular A-346, May 4, 1974 (Issued).
12. Guidelines Governing Funding for Private and Voluntary Organizations in Connection with Development Assistance Under FA Program. July 28, 1974 (Issued).
13. Private and Voluntary Organization Guidelines AIDTO Circular A-590, August 22, 1974 (Issued).
14. Procedural Guidance for PVO's on Operational Program Grants (AIDTO Circular A-25, January 11, 1975) (Issued).
15. Management Improvement and Development Administration (William O. Hall Work Group) AIDTO Circular A-187, March 28, 1975 (Draft report under AID/W review).
16. Revised Project Development, Review and Approval System, Social Soundness Analysis Annex AIDTO Circular A-241, April 23, 1975 (Issued).
17. Library on Employment and Income Distribution AIDTO Circular A-286, May 13, 1975 (Issued).
18. National Policies and Income Distribution Princeton-Brookings Report (In process).
19. Financial Development (Projected).
20. Participation as a Programing Criteria (Projected).
21. Discussing the Mandate with Developing Country Governments (Projected).
22. Appropriately scaled (or Intermediate) Technology (Projected).

B. Rural Development

23. Rural Development Library (Issued).
24. Rural Development Policy Statement (Fiscal Year 1976, Program Budget Submission Guidance AIDTO Circular A-448, June 22, 1974) (Issued).

25. Conceptual Overview of Rural Development AIDTO Circular A–690, October 10, 1974 (Issued).
26. Small Farmer Credit-Guidelines on Project and Program Planning AIDTO Circular A–418, June 6, 1974 (Issued).
27. Practical Guidelines for Implementation of an Integrated Approach to Rural Development (Issued).
AFR AIDTO Circular A–217, April 11, 1975.
LA AIDTO Circular A–228, April 18, 1975.
NESA AIDTO Circular A–216, April 10, 1975.
EA AIDTO Circular A–265, May 1, 1975.
28. Rural Development Policy (Projected).
29. Spatial Planning for Rural Development (Projected).
30. Market Prices Issues in Regional Planning (In process).
31. Base Level Organizations (Projected).
32. Rural Production Sector Programing and Strategy (In process).
A. Agriculture (In process).
B. Industry (In process).
C. Marketing (Projected).
33. Rural Infrastructure and Agricultural Production (In process).
34. Irrigation Associations (Projected).
35. Farmers Association (Projected).
36. Small Producer Economics/Production vs. Equity in Agriculture (In process).
37. Agriculture Sector Assessment Guidelines (In process).
38. Savings Mobilization Policy (Projected).
39. Land Tenure/Land Improvement and Organization (Projected).
40. Risk Avoidance (Projected).
41. Issues related to removal of subsidies and imposition of taxes on labor displacing equipment (Projected).
42. Functions of the Central Government in a Decentralized System (Projected).
43. Psychology of Participation and Learning Theory (Projected).

C. Health

44. Planning and Evaluation of Integrated Health Delivery Program AIDTO Circular A–230, March 19, 1974 (Issued).
45. Health Program Evaluation Guidelines Kit AIDTO Circular A–58, January 23, 1975 (Issued).
46. Health Sector Strategy (In process).
47. Health Sector Assessment Guidelines (In process).
48. Low-cost Health Delivery Systems Implementation Guidelines (In process).
49. Ongoing Innovations in Low-cost Delivery Systems (In process).
50. Defining Health Status Benchmarks and Targets (In process).
51. Followup Health Sector Guidelines (Projected for next year).

D. Nutrition

52. AID Nutrition Strategy (AIDTO Circular A–996, September 1973) (Issued).
53. Defining an Adequate Diet (In process).

E. Education

54. Draft Framework for Developing Program Submissions in Human Resources Development AIDTO Circular A–703, October 17, 1974 (Issued).
55. AID Education Program Strategy (AIDTO Circular A–988, September 4, 1973) (Issued).
56. Program Guidance on Implementing AID's Strategy for Education and Human Resources AIDTO Circular A–275, April 2, 1974 (Issued).
57. Defining Practical Education (In process).
58. Final Framework (DAP and Assessment) Paper (In process).
59. Precise Restatement of Agency Education Policy/Strategy (Projected).

F. Population

60. Policy Statement (In process).
61. Beyond Family Planning (AIDTO Circular A–1118, November 15, 1973) (Issued).

APPENDIX 5

THE CONGRESSIONAL MANDATE: AIDING THE POOR MAJORITY

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SUMMARY

1. The poor majority is massive by any measure; it totals over 800 million people by our definition, or around three-fourths of the total population of AID-assisted countries. More than 90 percent of some countries' population is in this group, while in other better off countries the proportion is far lower.

2. As an aid to characterizing the poor majority, we use several rough benchmarks of poverty. Falling short of any one benchmark is enough to place an individual in this vast group. In interpreting these benchmarks the need to consider the spirit of the mandate is stressed as precision will be difficult to achieve for some time.

3. The following benchmarks are described in some detail:

(a) *Per capita income* below $150 per year (1969 prices);

(b) *Daily diet* of less than 2,160 to 2,670 calories (depending on the country); and

(c) Several *health* indicators: *life expectancy* at birth of below 55 years, *infant mortality* over 33 per thousand children aged 0–1, *birthrates* over 25 per thousand population, or access to *broadly defined health services* for under 10 percent of the population.

These indicators are meant to apply to varying proportions of country populations, not to countries as a whole.

4. Development progress for the poor will require time-consuming systemic change. Programs most likely to succeed, and which receive highest priority emphasis under the congressional mandate and AID policy, are those involving the active and effective participation of the poor in all facets of the development process. But participation alone is not sufficient: Seeds, fertilizer, market, roads and other capital inputs; health and training programs and other goods and services; and policies promoting efficient use of all resources are needed if growth is to occur. Limiting population expansion remains critical. Moreover, the benefits of

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growth must be shared equitably. While the LDC's carry the major responsibility for their own development, AID can provide vital assistance in ways consistent with the spirit of the congressional mandate that will help improve the well-being of the poor.

5. But moving the poor majority beyond the poverty benchmarks would be an extremely expensive and lengthy process even in optimal policy settings. (Doubling low per capita incomes may require adherence to demanding development regimens for 20 years or more.) As AID's resources—like those of other donors and of the LDC's—are limited, it is normally impractical to think of AID-financed programs affecting directly the entire poor majority in any country, much less moving it beyond the benchmarks in the near term. While AID-financed programs must attempt to reach large numbers of poor people, AID's target group will often be a limited portion of the poor majority in each country depending on its economic and social conditions, its capabilities and desires, and other considerations which determine the programs yielding the most impressive benefits at least cost.

6. AID assistances focuses on:

—*concentrating on countries* whose development policies we can support and that can utilize our assistance effectively.

—*concentrating on key sectors* (food and nutrition, population and health, and education) affecting the basic well-being of the poor;

—*providing key components* of development packages designed to involve and affect broad segments of the poor majority, thus multiplying the impact of our assistance;

—*supporting selected pilot programs* testing new approaches with potential for affecting many people, thus encouraging the experimentation needed to advance the art of development.

7. Targets for AID-assisted programs and projects should reflect unique local circumstances, but to the greatest degree possible they should be cast in terms of their contribution to the long term—5- to 10-year—goals of improving the status of the poor. Working in cooperation with the LDC's, targets should be defined in terms of "output" indicators—changes in income, health, et cetera—where possible to assure that we focus on the relative effectiveness of alternative programs and that we are able to evaluate and assess their impact on development objectives. Setting targets for programs in rural development, nutrition, population, health and education is discussed particularly in relation to the ultimate objective of raising the living standards of the poor through their increased participation in the development process.

8. Several additional useful definitions are included as Appendix C.

I. The Congressional Mandate

Poverty in developing nations is severe, and we shall not soon see it eradicated. Nevertheless, the combination of developing country adherence to sound development programs, expanded efforts to contain population growth, and constructive assistance from the developed world can pay off in improved living standards for the poor. While the developing countries must carry the major responsibility for their own development, aid donors can provide critical marginal resources in support of LDC efforts. Past development efforts have produced many encouraging results, although it is also clear that the outcome has not always involved major improvements for the mass of people at the base of developing economies.

AID has a mandate from the Congress to help the poor majority in developing countries raise their living standards beyond subsistence levels. AID programs are to be concentrated on the major problem areas of food and nutrition, population and health, and education and should be marked by their involvement of the poor in the development process.

II. Who Are the Poor Majority?

The first step in designing programs involving and benefiting the poor is to determine who the poor majority are. Few officials in developed or developing countries have spent much time on that question, perhaps feeling that you know the poor when you see them and that attention could more usefully go to designing and implementing programs for people who are obviously poor by any reasonable standard. We are sympathetic to this view, but the need to be sure of our focus at a time when AID appropriations are particularly tight requires that we always have in mind what we want most to accomplish and for whom. A closer

look at the characteristics of the poor may suggest ways of improving the effectiveness of AID programs.

The poor are, of course, those living below some minimum standard. To make that standard operational, the poor majority is characterized in terms of rough benchmarks of per capita income, health, and nutrition status: any person who plainly falls short of minimum levels for any of these indicators is within the poor majority and may therefore be a potential beneficiary of AID programs. (We have looked for benchmarks that are practical—that is, measurable with as much accuracy as possible in LDCs where data remain scarce and often unreliable.)

But should these benchmarks be uniform—the same absolute levels—for all countries? Or should AID define the poor majority in relative terms (for example, those in the lower half of the economic scale in each LDC)? The choice between absolute and relative standards is never easy when the relatively well-off are poor by our own standards. While serious problems of oversimplification inevitably arise, we use broadly uniform benchmarks generally comparable throughout AID assisted LDC's so poverty can be assessed without regard to political boundaries. These benchmarks are not intended to define any sharp breakpoint between poverty and prosperity, between the "have-nots" and the "haves"; rather, they try to identify people who are indisputably poor and clearly among the world's have-nots. The resulting poor majority is indeed a majority of the population of AID-assisted countries taken as a whole but the fraction of a given country's population included in this category will vary. A relative definition—defining the poor to include the bottom half of the income distribution in each country—was rejected because so many in the upper half of countries like Bangladesh or Zaire would be excluded although they are, in fact, poorer than many in the lower half of countries like Colombia.

In considering intercountry AID allocations, such a uniform poverty standard should prove useful, although final decisions will naturally reflect foreign policy concerns as well as an LDC's resources and general absorptive capacity; in any case, every effort should be made to assure AID funds benefit that fraction of the recipient country's population that is poor by AID's benchmark standards.

III. Poverty Benchmarks

A. Income

The usual shorthand for minimum living standards is the per capita income needed to obtain essential goods and services. We begin here too.[1] We have defined the poor majority to include anyone in AID's recipient countries when income falls below $150 in 1969 prices—over 800 million people, or around three-fourths of the total population of these countries. (See appendix, page 74.)

Taken alone, income benchmarks have serious problems. They are inevitably arbitrary. Inflation and artificial exchange rates can invalidate intercountry comparability. Actual income can be difficult to measure. National averages for per capita income are inappropriate, of course, since they would place whole countries in or out of the poor majority. We need more microlevel data, ideally for individuals, that permit isolating persons in a given country with incomes below $150. But such data are scarce in LDC's and expensive to collect, particularly for the poor whose "income" may consist largely of subsistence output produced and consumed outside the market economy. We may have to rely on existing regional income surveys or other surveys on a subnational scale; in some cases, "educated guesses" will have to do.

Artificially high prices or the scarcity or virtual absence of some basic goods or services may leave an individual unable to translate modest income into a decent living standard. Using income averages for any large group of persons can mask uneven distribution of what goods and services are available, often to the harm of women, children, or some other disadvantaged group in whom AID has a particular interest.

Thus, while helpful, income benchmarks are meant to be used in spirit to identify the poor where greater percision is impractical. To take account of

[1] The World Bank has defined the poor to include anyone whose per capita income falls below $50 in 1969 prices—roughly 650 million people, or about a third of the total LDC population excluding China. We consider this definition too restrictive because it excludes vast numbers of poor people who should be eligible for U.S. assistance.

income benchmark problems, we also include in the poor majority anyone who lacks minimum acceptable nutrition or health status defined in rough terms.[2]

B. NUTRITION

Extreme hunger's effects are all too apparent, but the dividing line between an adequate and inadequate diet is difficult to fix. A number of definitions of an "adequate" diet is possible, ranging from one that merely avoids famine to one meeting recommended levels of all nutrients. It could be argued that anyone whose diet fails to provide all recommended nutrients should qualify for the poor majority, but that standard would be excessively fine-tuned and impractical.

Ignoring other nutrients for the moment, two reasonable interpretations of "adequacy" could be based on the calories needed to meet:

(*a*) "Maintenance requirements" defined by FAO as the energy needed to insure constant body energy in a nonfasting subject for a minimum level of activity needed for dressing, washing, eating, and so forth—but not for demanding physical labor. Maintenance requirements average about 1,900 to 2,000 calories in major LDC regions.

(*b*) "Average requirements" permitting a standard level of "moderate activity" for adults aged 20 to 39 and "normal growth" for children. Average requirements range, according to the FAO, from about 2,200 to 2,500 calories in major LDC regions and from 2,160 (Indonesia) to 2,670 (Uruguay) in AID-assisted countries. (See appendix B, page 75, for the list.)

These averages mask wide variation in actual requirements. Adequate diet requirements vary with age, sex, size, health status, occupation, and climate. Pregnant and lactating women generally require 300 to 500 additional calories daily. Sick persons, particularly children, require additional calories especially when their illnesses inhibit absorption of what nutrients they do receive. Those engaged in active labor need hundreds of calories more as do those living in cold climates. Thus our estimates of average requirements are rough, and may vary by as much as 25 percent.

Bearing in mind that LDC populations can improve their own living standards only if they can work effectively, the poor majority is defined to include anyone who fails to receive the "average requirements" for each AID-assisted country. The reason for adopting country-specific criteria rather than a single world-wide figure is that in this case the FAO has adjusted requirements for the unique conditions of each country. As with income, existing surveys of varying comprehensiveness and quality along with experienced judgments may have to form the basis for estimates of actual caloric intake where more precise estimates are impractical.

Calorie requirements ignore vitamins, minerals, and especially the protein required for all physical and mental processes. It is often assumed that diets providing adequate calories will also assure adequate quantities of other nutrients. That hopeful assumption too often proves inaccurate. Higher protein counts do tend to be associated with higher calorie counts, but exceptions are frequent: some staples, like yams and casava, provide little protein. Worse, when calories are short, more protein is consumed for energy, leaving even less for its unique tasks. Moreover, protein quality varies: the several amino acids from which proteins are built must be supplied in certain proportions if all are to be utilized fully. When one or more is short, as is frequently the case, the protein is of lower quality. (In such circumstances programs to develop food high in the scarce component are effective.)

Other nutrients are not just desirable, but essential, for reasonably good nutrition. Iron deficiency anemia debilitates millions. Vitamin A deficiency blinds hundreds of thousands. A more comprehensive nutrition measure would include requirements for protein, vitamins, and minerals. As better data become available, we will expand our nutrition benchmark to include other requirements.

C. HEALTH

"Good health" status is even more difficult to define than good nutrition.[3] Physicians suggest a person enjoys good health when he can successfully adapt to his physical, social, and psychological environment, but how can that be

[2] When health or nutrition benchmarks can be defined in terms of an individual's physical parameters, they avoid some of the problems of averaging income over groups and of price or exchange rate changes or artificial levels.

[3] In a sense, good nutrition is a means to good health.

assessed easily? Many people in today's LDC's suffer frequent hunger, debilitating disease, attacks of acute illness, or other health problems; by Western standards, they plainly suffer poor health. But where on the spectrum of good-to-poor health should one draw the line to fix an acceptable minimum? Can one define minimum acceptable health in terms of practical benchmarks uniform and comparable among countries?

Various health indicators that might be checked fairly easily on individuals in developed countries, such as weight and vital signs, obviously cannot be obtained for the poor majority scattered throughout LDC's. There is no practical litmus test for good health for the individual, much less for minimum acceptable health. We take a less direct approach, therefore, by including in the poor majority any person living among a group, varying in size, where life expectancy at birth, infant mortality, fertility, and, more indirectly, broadly defined health services fail to meet minimum standards. Again, it bears emphasizing that our health parameters should be defined not in terms of national averages but in terms of averages for subnational groups.

1. Life Expectancy: 55 Years at Birth

Average national life expectancy at birth varies today from 38 to 75 years, with a midpoint (median) of 54. (It often exceeds 70 in the developed countries and falls short of 45 in the poorest nations.) Anyone in that portion of a population within a country where life expectancy at birth falls below 55 years is included in the poor majority. (Available data may be limited to averages for regions or provinces of a country and may have to be supplemented by experienced judgments.)

2. Infant Mortality: 33 per 1,000 Infants Aged 0 to 1

Average national infant mortality varies between 11 and 216 deaths per 1,000 infants aged 0 to 1 years, with a midpoint of about 113. The characteristic rate above which most of the world's poor fall is about 33; that rate is taken as another health benchmark, and we include in the poor majority anyone in that portion of the population where infant mortality exceeds 33.

3. Birth Rate: 25 per 1,000 Population

The health of mothers and children is closely related to the number and spacing of pregnancies under primitive conditions. Eight children may not be a health problem to a mother in an affluent society, but to a mother in a developing country facing home delivery and an absence of prenatal or postnatal care, to say nothing of food or other shortages, repeated pregnancies represent a clear health threat. They also threaten her children, both by impairing her capacity to care for them and by increasing the difficulty of lactation. There are better demographic measures of average numbers of pregnancies when data are available, but the most convenient measure given data scarcity is the birth rate, which ranges from 10 to over 50 throughout the world. The characteristic rate above which most of the poor fall is roughly 25 per 1,000 population; we take that rate as another health benchmark, and include in the poor majority anyone living in that portion of the population where the birth rate exceeds 25. (It bears emphasizing that persons living in areas with lower birth rates may also qualify for U.S. population assistance, which generally eases the task of improving per capita living standards of the poor.)

4. Health Services: Access for Under 60 Percent of Population

The absence of better health status data argues for using such indirect measures as we can devise. Health services—broadly defined to include public and private curative and preventive medical services, family planning, and nutrition—all incorporating appropriate scientific approaches—can clearly improve health, through provision of clean water, environmental sanitation, and other measures may contribute as much to health in some circumstances (see below). The absence of such health services permits the inference that health is probably not acceptable. Among the poor majority, perhaps 85 percent, on the whole, lack convenient and regular access to minimal maternal and child health services, rudimentary preventive or curative services, family planning, or adequate nutrition services. As a conservative approach, the poor majority includes anyone living in an area where under 60 percent of the population have such access, on grounds that those people

are highly unlikely to enjoy minimum acceptable health. Again, to determine actual health parameters, we may have to rely on imperfect existing data instead of new surveys when the latter seem too costly to be practical.

IV. Determining AID's Target Population

A. What do we seek to achieve?

Given this immense group of poor from which to choose, how should AID's target group be determined? AID resources are to be deployed in support of LDC development plans and programs to help the majority who are poor, not to stimulate GNP indiscriminately without considering who will benefit. The Congressional mandate and AID policy rest on the conviction that it is possible to achieve significant improvement in the living standards of the poor majority through programs with low per capita costs.

But how much can we aim to help accomplish for the individual?

—Should our target be mere maintenance of human life, however precarious, just beyond bare survival? Given the problems of feeding today's population and the prospect of inevitable and substantial population growth, meeting even this limited target demands tremendous effort and expense.

—Should the target be a decent living standard—perhaps connoting a reasonable amount of protein or rudimentary education, for example—which may be necessary to avoid severe and prolonged physical or mental impairment? This level may be attainable only with strict adherence to demanding policy regiments and the application of resources which, while modest in per capita terms, still add to large totals over the next few decades.

—Should the target be even more ambitious, perhaps a comfortable living standard more akin to our own, which might recognize a common right to aspire among all people? This would be attainable, if at all, only through massive economic and social transformation and vast expenditure of scarce funds.

Determining the suitable goal must, of course, be the responsibility of the developing countries; nevertheless AID must set targets as well as if we are to assess our own performance.

The benchmarks used to define the poor majority suggest themselves as targets. Could not AID, in cooperation with the LDC's, aim to help move the poor majority beyond these milestones in the next decade or so? Unfortunately, the human and capital resources currently available in LDC's, including those supplied by aid donors, will not do the job, barring extraordinary technical advances, even given ideal policies and more equitable distribution of goods and services to the poor. How much would be needed to accomplish this? We cannot say with precision, although the price tag for each year would most likely be a multiple of the LDCs' present gross national product and the aid donors' share well beyond the realm of possibility. To suggest how large the job is, with 5 percent annual growth in real GNP and 2 percent annual growth in population, per capita income would double only after 25 years—assuming steady application of needed resources—and perhaps still fall short of $150.

Under these circumstances, how can AID's efforts—or even all foreign aid combined—make a difference to the poor majority? AID provides only a fraction—albeit occasionally a large share—of the foreign resources any LDC uses, and it is the LDC's own resources—and its own development policies—that are the primary determinants of development progress for its own people. Whenever possible, therefore, AID support must be part of a development approach conducive to the broad-based systemic change needed to affect the lives of the poor. Barriers to development in the economy, society, and politics of the LDC must be identified and a package of coordinated policies established to remove or weaken those impediments. (AID's sector analysis work is a major step in helping LDC's move in this direction.) Not all governments have fully committed themselves to this task, but AID's assistance should support programs that contribute toward expansion of such a broad-based view.

For LDC's with vast and ever-growing population, the most promising development programs are those making a virtue of necessity by relying on broadly labor-intensive approaches.[4] It is not sufficient, however, that the poor simply have

[4] While this labor will sometimes be provided in the form of paid employment on farms, in public works, or in commercial or industrial establishments, in most LDC's much of the labor of the poor will be provided in the form of self-employment on small farms or in other enterprises.

opportunity for employment. They should also participate as much as possible in the development process to help insure program effectiveness and equitable distribution of resulting benefits. AID should focus on programs emphasizing a participation strategy that includes the following broad objectives:

(a) development programs should benefit the poor primarily—with the objective of at least narrowing the relative income gap between rich and poor;

(b) decisions about development programs should be made in cooperation with the poor to the fullest extent possible;

(c) development programs require substantial input from the poor who stand to benefit;

(d) implementing development programs becomes a learning experience for participants, yielding lasting improvements in their skills;

(e) participants can improve program performance by feeding back information to program administrators directly or indirectly;

(f) participation of and benefits for women are addressed explicitly and with a view to improving their condition.

The participation emphasis of the mandate reflects the congressional view that AID expenditures should represent not consumer handouts with temporary though beneficial impact but investment in people that pays off in increased capacity to produce, the sine qua non of the developing countries' own efforts to sustain improvements in living standards.

But AID recognizes that while it is extremely important, popular participation alone will not move the poor majority above the poverty line. Other inputs ranging from seeds and fertilizer to dams, farm-to-market roads, and other essential infrastructure must be available to complement labor while health, nutrition, and training programs are needed to strengthen labor's effectiveness. Moreover, policies insuring access for the poor to these labor-augmenting inputs and promoting their most efficient use are essential if productive capacity is to be increased. Curtailing population growth is also extremely important in this process if scarce resources are to be used well.

No single type of change—whether in policies or in input supplies—is likely to be as effective a stimulant to development as integrated changes in both; whole systems will need to be modified if the poor are to prosper in the near future. In close concert with other donors, AID can support LDC development efforts in this direction by providing scarce resources, strengthening institutions, and generally encouraging policies likely to complement the contribution of the poor and insure that they reap the fruits of their own labor. For AID to make the maximum contribution to development in widely varying LDC cultural settings, however, will require increased attention to and understanding of local conditions and circumstances.

B. FOCUSING AID ASSISTANCE

AID assistance can be made more effective by further focusing it as the mandate suggests. We can concentrate on countries committed to development approaches we can support and able to use our funds effectively.

Congress has also directed us to concentrate assistance on several sectors—rural production and nutrition, population and health, and education and human resources development. Funding priorities in fiscal year 1974 and fiscal year 1975 reflect the major concentration of AID in these three categories. Having limited our sectors of emphasis to three, however, does not suggest that we will achieve in the near term much measurable impact on a national or international scale. While we are attempting to strengthen the impact of AID assistance beyond the project level, to hold our programs strictly to that objective would have a chilling effect on the experimentation we believe essential to improving program effectiveness.

We may also limit our role to providing components—advisers, commodities, financing, et cetera—of extensive sectoral programs designed to affect large numbers of poor people, thus achieving a multiplier effect for our aid strongly consistent with the intent of the congressional mandate.

In some cases, it will be particularly unrealistic for us to aim at having significant effect on most or all of the poor majority in a given country; problems may be too intractable, or the minimum resources required to have such extensive impact may be too large even when policies permitting their efficient use are in place. In such cases, we may have a comparative advantage in research and pilot

programs of limited scale, developing new approaches with a low per capita cost that LDC's can afford to replicate on a wider basis. The demonstration effect of such projects can be powerful and should be utilized.

Research—and evaluation of all programs—is sorely needed to advance the still-primitive art of development; we know too little about how development occurs in different economic and cultural settings, and AID can help fill the gap, often by financing LDC researchers. For example, the Percy amendment directs the Agency to work to improve the status of women. Considerable investigation is needed into what affects the status of women and what public programs may most effectively and appropriately improve it.

In limiting our assistance we necessarily restrict the number of people we seek to help in any direct sense; it is generally not practical to try to affect everyone in the poor majority who may be eligible for our aid.

Why should the poor majority include more people than we can help? The poor majority is not monolithic; it is constructed of persons whose political, economic, and cultural conditions vary. In some countries, programs to benefit primarily only the poorest of the poor, say landless rural laborers, may be most effective. In others, programs aiming primarily at persons only slightly less poor, say farmers with only 4 to 5 acres, may be more promising. Realistically, the poor in some areas may be beyond our capacity to help significantly because they would require a transformation of their way of life, which is simply inaccessible at present, which others in the poor majority may be better able to use the marginal resources we can offer.

Determining the primary beneficiaries of AID-assisted programs is difficult given the usual problems of pinpointing direct and indirect impact. While these problems are real and unavoidable, it is possible to identify primary beneficiaries consistent with the spirit of the mandate. Our programs should not, of course, needlessly limit who benefits, but it is important to emphasize that major beneficiaries of an AID-assisted program or project should not be a country's prosperous elite—major merchants, bankers, industrialists, or farmers—even if they should happen to qualify because of some health or diet idiosyncracy under some benchmark as this would contradict Agency policy and the spirit of the congressional mandate.

In sum, the Agency must focus its attention on the broad poor majority, but preserve the flexibility needed to program effectively within that group in each individual case.

V. Setting AID Targets

A. General Comments

For each AID program or project, specific targets should be set reflecting unique country circumstances, policies, and resources that affect payoff prospects; these targets should naturally be set in cooperation with the LDC's concerned. Wherever possible these targets should be expressed in per capita terms to permit measuring progress toward the uniform poverty benchmarks resulting from joint LDC-AID efforts designed to benefit the poor.

Our ultimate targets include improvements in individual income, health, and nutrition—these are the final outputs from program inputs. It is hard, of course, to predict the impact on health, for example, of a given program because other things inevitably influence health; moreover, improving health may require synergistic combinations of programs whose combined effectiveness exceeds the sum of each program's individual effect. And to further complicate the picture, a given program may affect income or nutrition as well as health. In setting targets it is therefore tempting to concentrate on program inputs, such as innoculations given, which provide useful operational and cost information. But expressing targets solely in terms of input terms leaves no way to judge the relative effectiveness of different inputs in achieving the same output. Relative effectiveness may vary enormously, and must be a prime consideration in program planning. However difficult, strong emphasis should be placed on relating program inputs to outputs. On occasion, focusing on inputs may be the best we can do in the short run, but care should be taken to explain as fully as possible the link with outputs—changes in the poor majority's quality of life.

In setting income targets, for example, the Agency should bear in mind the congressional directive to benefit many among the poor, possibly only modestly. A group of primary beneficiaries should be identified, and consideration should

also go to how others may benefit indirectly, thus multiplying program effectiveness. Rural production programs are promising means of increasing incomes (which includes output produced and consumed outside the market). But programs in nutrition, health, population and education will also affect income by increasing the capacity for work. Any programs effectively stimulating income are likely to involve the systemic change that lies at the heart of the development process.

What follows is a brief discussion of new emphases and directions in furtherance of the mandate that AID programs may take in the fields of rural production, nutrition, health, population, and education, and how their specific targets may be established.

[More detailed guidance for each sector is in preparation and these pages should not be viewed as a substitute for them.]

B. RURAL PRODUCTION [6]

Some projects to promote rural production have been successful, but the payoff of future projects can be increased substantially. For example, stimulating agricultural production through the "Green Revolution"—encouraging use of new seeds and requisite inputs like fertilizer—has resulted in some areas in greater supplies of foods for home consumption and for the market, generally at lower prices especially welcome to the poor whose income goes first to purchase food. But the poorest of the poor sometimes remain unable to afford food. Geographic imbalances in food availabilities sometimes persist. Tenant laborers are sometimes expelled from land whose value is rising, especially if capital equipment is priced artifically low relative to labor. And even when the food reaches the poor, their chronic diseases may inhibit its efficient use.

We must preserve what works in these programs while finding ways to remove the obstacles they faced or ameliorate the problems they caused. The Green Revolution is extremely important, but it cannot change the rural system alone.

What is needed is a package of rural development programs involving agriculture, services and industries, infrastructure and institutions designed to improve home consumption, money income, nutrition and the health of the poor both directly and indirectly, by providing greater access to better technology, improved inputs, credit, transportation and other goods or services, the scarcity of which now constrains rural development. Thus, they may encourage enthusiasm and self-confidence, a sense that people can improve their own living conditions by participating in development activities that make sense to them. For example, agricultural programs may provide access to key goods or services which will stimulate food output for home consumption, thus directly improving nutrition; they may also stimulate output of marketable goods, both food and non-food, resulting in improved incomes and more indirectly in improved nutrition and health. Which goods or services are most needed will depend on what "outputs" in terms of income or health or whatever are considered to have priority, how these may best be achieved considering alternative programs or policies, and what goods or services are already available.

In rural production, AID may often find itself able to contribute a critical if only marginal component of a development package financed largely by the LDC and other donors, or we may find the pilot projects most appropriate. In selecting primary beneficiaries from the poor majority for our projects, care should be taken to provide whatever secondary benefits are possible for others among the poor majority. And some thought should go to the question of whether any among the poor majority might be hurt by a given program.

With these general guidelines, rural programs can be designed to affect large numbers of the poor. Specific targets, however, must be set for specific projects considering starting conditions, host government resources and policies, and prospects for payoff. In some cases, it may be necessary to restrict targets to certain short-term achievements—like acreage under new seeds or innoculations provide—rather than final outputs like improved income. However, the program

[6] Section 103 of the FAA—entitled Food and Nutrition—is broadly interpreted in legislative history to consist of activities in support of rural production rather than simply agriculture, with the emphasis on the linkages between agriculture, industry and marketing.

should be designed with a view toward AID's overarching goals of moving the poor beyond the poverty level and links with those goals should be explained.

C. NUTRITION

Realistic nutrition targets—major components of diets or other rough indicators of nutritional status—may be set only after determining current nutritional status. It will be recalled that FAO's average requirements of daily calories per person for each LDC are used as benchmarks for helping define the poor majority. But within a given country, diet requirements will vary from group to group. Moreover, actual nutritional content of food available to different groups will vary depending on local production, technology, marketing, and cultural patterns of distribution. Even within a family, food may be distributed more by custom than according to need, with mothers and children suffering shortfalls that also threaten future generations. Thus, targets for AID-assisted nutrition or nutrition-related projects should be tailored to the specific circumstances of each project.

Improved nutrition may result from programs involving direct child feeding, food fortification, education or better nutrition practices like longer lactation or improved weaning foods, or other measures in the nutrition field proper; agricultural or rural development programs that increase and diversify the supply of food available or which stimulate agricultural production so rural incomes rise enough to permit additional food purchases; health and sanitation programs that improve the efficiency of food utilization by reducing gastroenteric parasites and mitigating other diseases; and education programs that touch directly or indirectly on nutrition.

Programs in the nutrition field proper have produced mixed results; feeding programs are sometimes promising, but may not reach all the needy, or they may provide too little additional food to make a difference, or they may stimulate counter-balancing changes in distribution of other food. Experience suggests that involving the poor more actively in nutrition projects may promote greater understanding of nutrition needs and available foods that can pay off. As in other fields, programs with limited budgets can accomplish far more when designed to meet the basic needs of the poor, making use of what they themselves can contribute. The mandate encourage more such programs.

D. HEALTH

Some efforts to improve health in the LDC's have succeeded dramatically, particularly efforts to eradicate endemic diseases or improve personal hygiene and sanitation. But funds have also gone to curative services, which have not generally resulted in as broad health changes as other measures might have. Too often developing countries have aimed to establish sophisticated health services even if they serve only a few people. Thus, most of the poor are still beyond access to any but traditional health services and without the clean water or rudimentary sanitation essential to reasonable health. For them, life expectancy remains low; morbidity and mortality, particularly among the young, remains very high.

Increased attention is now going to means of modifying the whole system of policies and conditions that may account for the most common threats to health among the poor. An effective package that an LDC could finance with current resources is possible if reliance is placed on inexpensive ways (such as upgrading traditional practitioners) of encouraging the poor to modify their practices now conducive to ill health. Thus the active participation of potential beneficiaries also emerges as the keystone of new approaches to improving health.

Improving health requires coordinating private and public programs, including those AID assists, in sanitation and water, nutrition, family planning, personal hygiene, health services proper, and economic and social measures too. Bearing in mind that AID-assisted health programs should be designated to affect many people if only modestly, at a low per capita cost, our targets for per capita improvement must be limited. In 10 years, assuming current levels of donor and LDC resources continue to be available and assuming LDC policies are sufficiently tough-minded and imaginative, it may be possible to move limited portions of the poor majority beyond these benchmarks or to move particularly disadvantaged but large groups a little closer to the bench marks. In 5 years, with the same

assumption about resource limitations, it will be difficult to do more than establish some of the necessary preconditions.

Exceptions will occur, of course, particularly in more advanced countries or in pilot areas where programs can often be organized more quickly to achieve health improvements sooner. But broader results will take time. Our short-run goal may be simply to help establish a service network and other measures needed to improve health; our short-run targets may be couched in terms of program inputs and operation rather than health improvements which are our ultimate target. A medium-run goal may be to change some health practices, such as encouraging longer lactation; intermediate targets in terms of such health practice changes may also be appropriate. But health measures will themselves be designed to meet the ultimate target of health improvements as soon as possible and their success in doing so must be carefully monitored.

E. POPULATION

Increasing the size of the pie by providing more food and health services is essential to improving per capita living standards; substantial progress will only be possible if population growth abates. Thus, reasonable access to safe and effective family planning services and information is essential and is a primary purpose of AID population program funding.

But people may be content with fewer children only if changes in economic structure remove the advantages many parents now see in large families and as changes in society open new options for women. In this context, modest improvements in individual nutrition, health, education, and so forth, may be required if substantial improvements in living standards are to become realistically feasible. Population assistance should also fund programs needed to explore how currently operating policy measures and socioeconomic conditions influence attitudes on family size, and what policies might work in conjunction with family planning services and information to encourage smaller families.

In many cases, AID may be able to plan its programs with a view to a particular birth rate or fertility target set by the recipient LDC; in other cases, the target may simply be the implicit one of reducing birth rates or fertility as much as possible. In either case, focusing on the need for reducing fertility may help stimulate questions as to optimal combinations of services, motivational campaigns, and other policies that stimulate participation in family planning—questions less likely to arise if the target is the more limited one of providing services alone. While it may be both necessary and desirable to set shorter-run targets in terms of services supplied, bearing in mind the overall target of reducing fertility can stimulate more efficient and imaginative programing. Specific targets, whether in demographic or program terms, can only be set for specific projects depending on operating conditions.

F. EDUCATION

In a world of plenty, "education" may connote literacy and wide learning, truth for its own sake as well as a means to progress. In a world of want education must unfortunately of necessity be something far more restrictive and practical—as means to improving living standards rather than an end in itself. AID defines "minimum practical education" to be that body of knowledge, attitudes, and skill necessary to effectively contribute to and participate in a developing society and economy. Education should help equip LDC citizens cope with their most pressing problems—hunger, ill health, and a lack of more productive employment.

Minimum practical education varies with the situations people face. What is essential to effective participation differs dramatically among and within countries. In education, therefore, AID must take the poor majority as defined through some benchmark outside education—such as income or health. Then, working with some or all of that majority, we can seek to identify education targets expressed as their learning needs, and select and try out the most promising alternative means for meeting those needs, including both formal and informal programs, in a process entailing the active participation of the poor from start to finish.

It bears emphasizing that literacy rates or enrollment ratios may not be an appropriate target. For some countries, literacy may be one, though not the only, learning need. Where resources are very short, where lifestyles severely limit access to formal education, or under other circumstances, programs to increase literacy may or may not be the most effective means of enabling more people to contribute to and participate in development. Even the U.N.'s worldwide target of "universal primary education" may be an inappropriate target, at least in some countries' present circumstances. Meeting the learning needs of the poor majority with severely limited resources requires considering new as well as traditional approaches, particularly those that engage the poor themselves at all stages of the process.

VI. CONCLUSION

We close on the note with which we began: the problems of the poor majority are immense, but AID can and must be of help. It is AID policy, with the support of the congressional mandate, to pursue as an underlying theme the approaches described in simplified form in this paper. The true test of our success will, of course, lie in the quality of the projects and programs carried out in developing countries.

It is on that task that we must continue to expend our greatest energies.

APPENDIX A

Poor majority populations in AID-assisted countries

"POOR MAJORITY" IN AID ASSISTED COUNTRIES, ACCORDING TO PROPORTION OF POPULATION RECEIVING LESS THAN $150 PER CAPITA PER YEAR (1969 PRICES) LISTED BY AID REGION AND BY CONTRIBUTION TO "POOR MAJORITY" POPULATION OF THE REGION[1]

	Total population (millions)	Percent of population receiving $150 per capita	"Poor majority" population (millions)
Near East and South Asia:			
India (64–5)	537.0	91	488.7
Pakistan (including Bangladesh) (66–7)	111.8	72	80.5
Egypt (64–5)	33.3	50	16.6
Turkey (68)	35.2	45	15.9
Sri Lanka (63)	12.5	68	8.5
Tunisia (70)	4.9	52	2.5
Regional subtotal	734.7	83	612.7
East Asia:			
Thailand (62)	34.7	65	22.6
Korea, South (70)	32.0	45	14.4
Philippines (71)	37.1	32	11.9
Vietnam, South (64)	17.9	44	7.9
Regional subtotal	121.7	47	56.8
Africa:			
Sudan (63)	15.2	81	12.3
Tanzania (67)	13.2	91	12.0
Kenya (68–9)	10.8	86	9.3
Madagascar (60)	6.5	88	5.7
Malawi (68)	4.5	96	4.3
Chad (58)	3.2	96	3.1
Senegal (60)	3.8	69	2.6
Dahomey (59)	2.5	94	2.3
Ivory Coast (70)	4.2	45	1.9
Sierra Leone (68–9)	2.5	70	1.8
Zambia (59)	4.2	20	.8
Botswana (71–2)	.6	84	.5
Gabon (68)	.5	22	.1
Regional subtotal	71.7	79	56.7

See footnote at end of table.

"POOR MAJORITY" IN AID ASSISTED COUNTRIES, ACCORDING TO PROPORTION OF POPULATION RECEIVING LESS THAN $150 PER CAPITA PER YEAR (1969 PRICES) LISTED BY AID REGION AND BY CONTRIBUTION TO "POOR MAJORITY" POPULATION OF THE REGION [1]—Continued

	Total population (millions)	Percent of population receiving $150 per capita	"Poor majority" population (millions)
Latin America:			
Brazil (70)	93.6	45	42.1
Colombia (70)	21.1	42	8.9
Peru (70–1)	13.6	35	4.8
Ecuador (70)	6.1	70	4.3
Dominican Republic (69)	4.3	38	1.6
Chile (68)	9.8	16	1.6
El Salvador (69)	3.5	43	1.5
Honduras (67–8)	2.6	58	1.5
Guatemala (66)	5.2	22	1.1
Uruguay (67)	2.9	23	.7
Jamaica (58)	2.0	27	.5
Costa Rica (71)	1.7	14	.2
Panama (69)	1.5	16	.2
Guyana (55–6)	.8	28	.2
Regional subtotal	168.7	41	69.2
All regions (37 countries)	1,096.8	72.5	795.4

[1] Countries included are the 37 AID-assisted countries for which income distribution data are reported in Shail Jain "Size Distribution of Income: Compilation of Data" IBRD, Bank Staff Working Paper No. 190, November 1974. 27 AID-assisted countries are not included for lack of income distribution data. These are: Afghanistan, Bolivia, Burundi, Cameroon, Central African Republic, Ethiopia, Gambia, Ghana, Guinea, Haiti, Indonesia, Khmer Republic, Laos, Lesotho, Liberia, Mali, Morocco, Nepal, Nicaragua, Niger, Paraguay, Rwanda, Swaziland, Togo, Upper Volta, Yemen Arab Republic and Zaire. But the total 1970 population of these countries was only 242,000,000, compared to 1,097,000,000 for the countries included in the table. The method and sources for the tables are as follows. Population and GDP data are for 1970 (converted to 1969 prices in all cases), except for Pakistan, Sierra Leone, Tanzania, Thailand, India, Senegal, Sudan, South Vietnam, Egypt and Zambia, where the data refer to 1969, and Botswana (1968), Chad (1963) and Dahomey (1967). Dates for the income distribution data are shown in parentheses next to the country in the table. Income distribution data in the IBRD source cited above were presented in the form of income shares accruing to 20 equal subgroups of the population. To calculate the percent of the population receiving an annual per capita GDP below $150 the income share of a subgroup was multiplied by the total GDP figure for that country. This product was then divided by the number of individuals in that subgroup or the total population divided by 20. GDP and population refer to the most recent year for which data are available. Using $150 as a guide, the closest 5 percent interval was located and assuming equal distribution within this interval, the approximate percentage determined. The order in which countries are presented within regions was determined by the magnitude of the poor majority of the population, col. 3.

Source: The source for the population and GDP figures were the "U.N. Statistical Yearbook 69," and the "U.N. Yearbook of National Accounts Statistics 1971, V. III" respectively. GNP deflator indexes found in "Gross National Product," AID, FM/SRD, May 1974, were used to convert all GDP figures to 1969 prices. (Exceptions: Botswana, Jamaica, Sri Lanka Chad, Dahomey, and Guyana. GNP deflators were taken from an appropriate regional table of Africa or Latin America in the "U.N. Statistical Yearbook, 1973.")

APPENDIX B

Average per capita daily energy requirements

Country:	*Calories*	Country:	*Calories*
Uruguay	2,670	Botswana	2,350
Turkey	2,520	Peru	2,350
Egypt	2,500	Sudan	2,350
Cyprus	2,480	Gabon	2,340
Syrian Arab Republic	2,480	Mali	2,340
Chile	2,450	Niger	2,340
Afghanistan	2,440	Rwanda	2,340
Trinidad and Tobago	2,430	Ethiopia	2,330
Yemen Arab Republic	2,430	Malawi	2,330
Morocco	2,420	Mozambique	2,330
Bolivia	2,410	Pakistan	2,330
Tunisia	2,400	Burundi	2,320
Brazil	2,390	Cameroon	2,320
Upper Volta	2,380	Colombia	2,320
Chad	2,370	Ivory Coast	2,320
Mauritius	2,370	Jordan	2,320
Nigeria	2,370	Kenya	2,320
Senegal	2,370	Mauritania	2,320
Angola	2,360	Somalia	2,320
Korea, Republic	2,360	Zambia	2,320

Average per capita daily energy requirements—Continued

Country:	Calories	Country:	Calories
Dahomey	2,310	Philippines	2,260
Liberia	2,310	Central African Republic	2,250
Panama	2,310	Costa Rica	2,250
Paraguay	2,310	Haiti	2,250
Sierra Leone	2,310	Jamaica	2,250
Tanzania	2,310	Nicaragua	2,250
Togo	2,310	Khmer Republic	2,230
Bangladesh	2,300	Thailand	2,230
El Salvador	2,300	Laos	2,220
Ghana	2,300	Sri Lanka	2,220
Guinea	2,300	Zaire	2,220
Ecuador	2,290	India	2,210
Guyana	2,280	Guatemala	2,200
Honduras	2,280	Nepal	2,190
Madagascar	2,280	Vietnam, Republic	2,170
Dominican Republic	2,260	Indonesia	2,160

Source: Calculated from Annex Table: Population, food supply and demand for food in individual countries; *Assessment of the World Food Situation, Present and Future*, Item 8 of the Provisional Agenda, United Nations, World Food Conference, November 1974.

Appendix C

Some Additional Useful Definitions

1. CAPITAL TRANSFERS, CAPITAL INTENSITY AND CAPITAL PROJECTS

The three terms "capital transfer," "capital intensity," and "capital project" are sometimes used in congressional or other documents in ways that suggest confusion as to their meaning. This brief paper attempts to clarify what AID means by these words.

(1) A capital transfer is an international financial transaction involving the movement of funds from the capital-exporting to the capital-importing country; the funds can be given as grants, exchanged for debt instruments, or used to purchase equity positions. Capital transfers thus include private and official long- and short-term purchases of debt, direct foreign investment, and private and official grants. Accordingly, virtually all forms of assistance extended by AID to LDC's involve capital transfers. Such transfers can, in turn, be used by the recipient for purchasing goods and services from the United States or from other countries. These could include raw materials, intermediate or capital goods or services such as those of technicians, engineers, etc. Even though the expenditure under any specific project may be entirely in local currency and not require direct procurement from abroad, the capital transfer (in the form of foreign exchange) is required to buy goods and services in the local market and is therefore essential to the undertaking of any AID programs in LDC's.

(2) A capital development project is the creation, improvement, or expansion of physical assets or institutions which produce goods or services—factories, land improvement, roads, agricultural research capacity, school systems, etc.

(3) Capital intensity refers to the proportions in which capital is combined with labor to generate goods and services either in specific projects or at a more aggregated (national, sectoral, or sub-sector) level.

The adjective "large" is also used in a rather loose way without specifying large in relation to what. Is a "large" transfer large in relation to the GNP of the recipient country, its total imports, its total investment program, the number of intended beneficiaries, the size of total external assistance to that country, the AID budget, or what?

In any case, the size of the project is not the relevant criterion; what is relevant is (a) that the project makes efficient use of scarce resources and (b) that the benefits flowing from the project accrue largely to the poor. Some large scale projects meet these two criteria and some small scale ones do not.

The size of a transfer does not signify anything about its impact on the poor. What groups benefit depends on how the resources financed by the transfer are used. Assuming that the resources financed by a large and small transfer were applied equally well to meeting the needs of the poor the larger transfer would have the greater beneficial impact. Under these circumstances a $20 million

transfer, for instance, should have twice the impact of a $10 million transfer to the same country.

Implications for AID Programing

(1) *Capital Transfers.*—A development assistance program by its very nature involves capital transfers. As far as AID is concerned, the appropriate size for a capital transfer (apart from AID budget considerations and U.S. objectives not related to development) depends on the determination and capacity of the government of the recipient country to implement policies, programs, and projects which reach the poor and the magnitude of additional resources which are needed and can be effectively used for this purpose.

(2) *Capital Projects.*—Capital projects can be not only compatible with but essential to the achievement of poverty alleviation objectives. Capital projects should therefore, as noted above, be judged individually in terms of who benefits from them and whether in their creation and subsequent operation they employ appropriate combinations of capital and labor.

(3) *Capital Intensity.*—The mixes of capital and labor should be viewed as a spectrum running from highly capital intensive to highly labor intensive. Some sectors or subsectors (for example, petroleum refining) are necessarily very capital intensive because of the technology involved. In other sectors (for example, agriculture or construction) a range of technologies exist or can be devised. LDC's, with their shortage of capital and abundance of labor, should concentrate on sectors which are relatively labor-intensive and within sectors should employ technologies which are as labor intensive as is compatible with social rate of return criteria (that is, after correcting for distorted factor and commodity prices) and with seasonal variation in the availability of labor. In considering factor intensity it is important that attention be given not only to the project staff itself but to the effects of its backward and forward linkages on the demand for capital and labor. For instance, a project which by itself is rather capital intensive may create a need for inputs which are very labor intensive or produce a project which is used in very labor intensive ways. It is necessary, therefore, to look beyond the project itself and take into account its indirect as well as its direct employment effects.

2. THE ROLE OF AID AND "DIRECT ASSISTANCE" TO THE POOR MAJORITY

AID supports and assists LDC agencies in planning, financing, implementing, monitoring, and evaluating programs and projects which promote development activities which primarily and directly deal with the problems of and benefit the poor majority.

AID may therefore support activities which directly benefit the poor majority or support through assistance in planning and institution building LDC agencies that deal directly with the problems of the poor majority. Almost invariably AID assistance would reach the poor majority not "directly" through, for example, U.S. advisers working directly with villagers, but through:

(*a*) public or private intermediary institutions, and

(*b*) advice leading to change in LDC policies which, in several ways, might improve benefits to the poor (for example, policies which influence the availability of opportunities—including employment—and the supply and cost of basic goods and services).

3. PARTICIPATION

An approach to development that may be characterized as follows:

1. Decisions concerning the activities to be carried out are made, preferably, by those benefited (that is, the poor), or if not, at least with effective consultation and substantial acceptance by those benefited.

There are examples of participation in decisionmaking with regard both to project selection and implementaton. At the implementation level, participation occurs in the analysis and approval of applications for credit by local cooperatives. This usually involves a "credit and finance" committee which does most of the work and the members of the management board who give the formal approval and are legally responsible (in well-run co-ops) for the co-op funds. Examples can be found in Bangladesh (Comilla Thana), Gambia, Guatemala, and Tiawan.

Participation in project selection is illustrated by recent developments in the program of the National Community Development Service, an autonomous agency of the Bolivian Government. Local people are hired and trained as tech-

nicians by the NCDS to assist villages establish project committees to identify projects which are then submitted to the NCDS for financing. Another example is the rural public works program of the early sixties in East Pakistan where village representatives participated in project selection at the county (Thana) level.

2. The activity in which they participate is, ideally, a learning experience for benefited persons, which increases their technical skills and/or their capacity to organize for common purposes and for greater access to the benefits of development.

An example would be women, who receive training as midwives in local infant and child care programs. Through their participation they increase their knowledge of nutrition, the environmental situation and control of communicable diseases and also how to involve the local community for those programs which are community wide. Country examples of such health and nutrition programs include North East Brazil, Sri Lanka, and Taiwan.

3. Economic benefits are widely and significantly shared by the poor with the objective of narrowing the relative income gap between rich and poor, for example, the co-op which benefits all small farmers or the type of health improvement program cited in No. 2.

Country examples include Egypt, South Korea, Sri Lanka, and Taiwan.

4. The poor make a significant contribution in effort and resources to the activities from which they benefit, for example, through personal savings, or serving as members (usually without compensation, though expenses are covered) of local planning or project implementation committees, as in the examples given in Nos. 1 and 2 above.

Country examples include Taiwan in particular as well as Egypt and South Korea. In the above mentioned Bolivia National Community Development Service program, villages are now expected to cover one-half of the total cost of projects.

5. The participation and contribution of women should be explicitly taken into account under the above-mentioned considerations, for example, any of the above or other examples when the participants are women.

4. RURAL DEVELOPMENT

We propose the following approach to a definition of rural development. Rural development covers all sectors of development and all people who live in farm villages or hamlets and those who live in urban centers whose economic life depends primarily upon agriculture. In small and medium-size countries, rural development by this definition may well cover the entire country apart from the capital city and seaports and mining towns, if there are such. In some countries, major regional cities would also probably be excluded. Because of variations in population densities and levels of modernization in the developing world it is impractical to use community size as a criterion to divide urban centers between those which are primarily farm-related and those whose economic life is primarily nonagricultural. Section 103 on food and nutrition assistance may, by the above definition, cover 98 to 99 percent of the urban places in the developing world.

Rural development according to section 103 and its legislative history consists of those resources to which the rural population, and especially the poor, need access, both to increase their output and incomes and to improve the quality of their lives. The output component of rural development is most usefully thought of as total rural production rather than agriculture, and the emphasis in production planning is on the linkages among agriculture, industry, and marketing (these categories include associated services and physical infrastructure, such as credit, information, inputs, processing, roads, irrigation, and so forth). Rural development is viewed as a process with an important self-sustaining element and therefore one that requires local people, local resources and local savings to be involved to their fullest in project design.

5. COLLABORATIVE STYLE

An approach to policy, program and project development characterized by an interactive process of consultation, planning and decisionmaking between AID and the government of a developing country. This process assumes a certain measure of congruence of policies and objectives between AID and the government. The framework of AID policies and requirements is defined by the Foreign Assistance Act of 1973 and other legislative and administrative determinations.

LETTER FROM CHAIRMAN THOMAS E. MORGAN TO AID ADMINISTRATOR DANIEL PARKER

FEBRUARY 24, 1975.

Hon. DANIEL PARKER,
Administrator, Agency for International Development, Department of State, Washington, D.C.

DEAR MR. PARKER: The Committee on Foreign Affairs has a deep interest in the steps which the Agency for International Development is taking to implement those provisions of the Foreign Assistance Act of 1973 which direct the Agency to undertake far-reaching reforms of the U.S. bilateral development assistance program.

I was pleased, therefore, to note the seriousness of purpose with which you have begun to implement the reforms, as evidenced in your preliminary report to the committee, as well as in other ways.

I look forward, therefore, to receiving your full report at the time of the congressional presentation of your program. I hope the information it contains will be of great use to the committee in connection with its consideration of legislation to extend the development aid program beyond this fiscal year.

In order to assist you in making the forthcoming report as helpful as possible to the committee, I attach a staff memorandum listing some of the issues which might be covered. In general, it seems to me that the committee would be interested in information on the procedural steps AID has taken and plans to take to insure implementation, the substantive issues involved in designing and carrying out programs which conform to the new directions set forth in the legislation, and the difficulties the Agency has faced and continues to face in attempting to implement the legislation. The issues raised in the relevant portions of the committee's report on the Foreign Assistance Act of 1974 should naturally be dealt with. Above all, the Agency should demonstrate specifically how it is analyzing, refining, and carrying forward the concepts underlying the reforms in order to apply them in practical ways in the variety of circumstances existing in countries receiving development aid.

In addition, it would be most useful in helping to increase congressional understanding of the Agency's work if implementation of the reforms could be treated in the context of the total development effort of the United States, other countries, and international bodies, and the importance of development as a means of contributing to the solution of long-range problems facing the United States and the world.

I am fully aware that changes of the magnitude contemplated by the Congress in a program as complex as development aid are not quickly or easily accomplished. But I assume that, in view of the time elapsed since enactment of the 1973 legislation, substantial progress is being made, and I look forward to receiving your next report.

With best wishes, I am

Sincerely yours,

THOMAS E. MORGAN,
Chairman.

(79)

COMMITTEE ON FOREIGN AFFAIRS,
February 21, 1975.

Memorandum to: Hon. Thomas E. Morgan, chairman.
From: Charles Paolillo, staff consultant.
Subject: AID report on implementation of 1973 development aid reforms.

Attached is the Agency for International Development's preliminary report on implementation of the development aid reforms being undertaken pursuant to the Foreign Assistance Act of 1973.

This report was called for in the committee's report on the Foreign Assistance Act of 1974, which also requested "a full report at the time of the presentation of the legislative program for fiscal year 1976". The full report is expected by the time the committee begins formal hearings on this year's development aid legislation.

The purposes of this memorandum are (1) to summarize very briefly the preliminary report and (2) to suggest ways in which the full report can be made most useful to the committee.

1. THE PRELIMINARY REPORT

The attached preliminary report deals with AID's efforts to implement the reforms in a variety of ways. For example—

—AID has prepared policy papers for use as guidance for Agency programing in a number of areas related to the reforms, such as employment and income distribution, low-cost integrated health delivery systems, small farmer credit, rural development strategy, and the role of private and voluntary organizations. Others are planned in such areas as small-farm agriculture and labor-intensive intermediate technology.

—AID is accelerating training and other programs designed to increase AID personnel's understanding of the reforms.

—AID has established a number of special task forces to work on aspects of the reforms.

—AID is changing its programing and evaluation systems in ways which are expected to make it easier to determine who is benefiting from AID activities.

—AID is carrying out projects in each major field which are responsive in some degree to the congressional mandate.

2. SUGGESTIONS FOR THE FULL REPORT

The meaning of the reforms.—When this committee and the Congress undertook to enact a reform of the U.S. bilateral development aid program in 1973, it was done in the belief that the development of the world's poor is ultimately of fundamental importance to the well-being, and perhaps even the survival, of the people of the United States and of the world. The supporters of the reforms believed that the greatest contribution the AID program could make to the worldwide development effort was to concentrate its resources on the solution of major development problems in the light of a new perspective on the nature of development. Simply put, that new perspective supports abandonment of the "trickle-down" theory of development and adoption of a "participation" strategy in its place, holding that such a switch makes economic, as well as social and political, sense.

This new approach to development has been practiced to various degrees in some countries and has been written about for several years, but there is no ready-made formula that can be applied in detail around the world. Passage of the 1973 bill therefore left AID with a congressional mandate which raised a host of fundamental issues of implementation.

The new international economic situation.—At about the time of enactment of the 1973 bill, the emergence of both the energy and the food crises, and the reactions of both rich and poor countries to the new situation created by them, underlined the importance of the developing world for the United States, and indeed for the functioning of the entire international economy. These events not only posed substantial problems for the development of poor countries, but altered the relations of developed and developing countries to each other and to the world economy. They thereby complicated the implementation of the development aid reforms, while at the same time making the success of the development effort all the more crucial.

Implications for the full implementation report.—It is in this context that AID has proceeded with the reforms, and it is in this context that the implementation report should be prepared.

With this background in mind, it seems to me the implementation report should be designed to acomplish two basic purposes: (1) inform the committee and the Congress in some detail how AID is turning its program toward the new direction and (2) provide the committee with a document which will enable members to understand how the reforms contribute to the development effort, and the importance of that effort in the context of the global problems we face. In order to do that, the full report will have to do at least four things:

1. *Be convincing.*—The report should be written in such a way as to focus attention on the main points in a readable way. It should convey enthusiasm, conviction, and dedication. It should suggest the effectiveness of the program through its impact on the life of the poor in the developing countries.

2. *Stress the importance of development.*—The report should place the AID program in the context of the total development effort, of which it is only a modest, though very significant, part. It should clearly discuss the role of development in the solution of long-range problems, and the even greater importance which development of the poor countries has assumed in a world that is preoccupied with the effects of recent international events in such areas as food, energy and resources, global inflation, and the changing world economic order, and that is struggling to cope with a new set of international relationships imposed by these events.

3. *Recognize the existence of a changed international economy.*—The report should explicitly convey a sense of the difficulties, or opportunities, that may be presented by the recent events that have altered the face of the international economy. It should explore frankly how pressures resulting from energy prices and food shortages may make it more difficult for AID to implement the reforms as rapidly as it might have been able to in the absence of these new and very serious problems that face so many poor countries.

4. *Address squarely the many issues raised by the reforms.*—The report should treat comprehensively the fundamental issues involved in implementation of the reforms. These may be broken down into (a) issues of substance and (b) issues of agency procedure and management, with perhaps (c) a separate category highlighting some of the major difficulties the Agency faces in attempting to implement the reforms.

(a) *Substance.*—The preliminary report recognizes the need to engage in further policy work in such areas as the use of participation as a criterion in selecting projects; articulation of policies concerning small farmers, labor intensive agriculture, local industry, and local and regional institutions; and ways of accelerating the use of work creating intermediate technologies. However, the preliminary report does not itself deal with any of the issues it mentions, nor does it mention the many other substantive policy issues with which the Agency is grappling or which it has not yet fully confronted.

For example, under the reforms AID is not to use its funds simply for the purpose of transferring resources to developing countries, but to help solve specific development problems in ways designed to enable the poor to participate in development. It therefore becomes necessary for AID to analyse projects in terms of their intended beneficiaries, to make judgments about the extent to which particular projects, and the governments of the countries in which they are to be carried out, are apt to further these ends—and to structure AID's program accordingly. The full report should discuss how AID views this issue and how it is dealing with it.

The Congress has enjoined AID to support activities aimed at increasing the participation of the poor in the development process, but has turned the program away from large infrastructure projects and limited the major focus to such areas as agriculture and rural development. Does this mean that AID should avoid participation in large construction projects even if they are what the poor most need? Does it mean that AID should not undertake any project which involves the poor in industrial development? The committee should know AID's thinking on such points.

Since one of the major reasons why people are poor is that they lack jobs, it is necessary to explore the possibilities of economic growth through job creating means such as small farms and small industries, and so-called intermediate technologies—all of which use more labor per unit of production than large enterprises using the most advanced and sophisticated technology.

These are only a few of the dozens of substantive issues that need to be fully explored by AID if it wishes to be responsive to the reforms.

(b) *AID procedures.*—Even the most thorough understanding of substantive issues is of little value unless it is effectively used. AID's procedures to insure that its projects are developed in accordance with the reforms are, therefore, of considerable importance.

The preliminary report does not specify the procedures being used or planned for this purpose. The report mentions the establishment of special groups to deal with various aspects of implementation, but contains very little on the kinds of issues being addressed through these various new task forces and procedural mechanisms.

Since the only way to get projects designed and implemented in accordance with the reforms is to familiarize AID personnel with the basic issues underlying the new approach to development and to structure the programing process in such a way that the proper criteria are applied at all stages, AID must develop appropriate procedures to achieve these ends and the full report should explain them.

(c) *Difficulties.*—Aside from explaining the fairly obvious fact that carrying out the reforms is harder to do in some countries than in others, the preliminary report conveys little of the real difficulties which the Agency faces in its efforts to turn its program in a radically new direction. Yet it is obvious that the job is not an easy one, and that AID will have its hands full trying to put the reforms into practice in several dozen widely varying countries around the world, while at the same time responding to a variety of executive branch and congressional pressures which may cut across the new direction in which the Congress has enjoined the Agency to move.

Without treating the full report as a way of excusing lack of action in any area, the Agency should take advantage of the opportunity presented by the report to explain frankly and fully the difficulties that impede implementation of the reforms, so that the Congress may have a realistic notion of the job ahead.

In order to provide some idea of the range of issues involved, I annex a list of some of the issues with which AID should be dealing in implementing the reforms and which should, therefore, be appropriate subjects for discussion in a report on implementation. This list is neither comprehensive nor definitive, but merely indicative of the kinds of issues that need to be addressed.

A few of these questions are being actively pursued by the Agency, and some are mentioned in the preliminary implementation report. Many are not.

We should not expect AID to have a fully elaborated, detailed policy or procedure on each issue ready to be submitted to the committee in the full implementation report at the time of the congressional presentation. There are no final answers to many of these questions, and the process of working out appropriate Agency responses on many issues will take time.

But we can certainly expect AID to have begun to deal realistically with issues such as these, and to be well along on a good many of them. And we can expect the full implementation report to describe the status of the Agency's work on such issues.

Substance

Is AID acting on the assumption that the Congress has made a basic choice between the "trickle-down" strategy of development and the participation strategy and that it wishes the AID program to be carried out in accordance with the latter?

To what extent, if at all, does AID consider its job to consist of transferring resources rather than helping countries to solve development problems through such means as policy influence, program development, pilot programs, development of new methods of reaching the

poor, and research—using AID funds only as a means of making and to the extent necessary to make a contribution to the solution of the problem?

Should the "target group" for overall programs which AID activities support be the entire population of poor people in a developing country? If limitations are placed on the size or composition of "target groups," according to what criteria should they be imposed? If such limitations are accepted, how should the creation of increased social disparities and political problems that may result be guarded against?

To what extent does AID see its job as a matter of enlarging the range of choices open to developing country governments and insuring that policy decisions made by those governments are made only after the advantages of activities which engage the poor in the development process have been fully explored?

To what extent does the Agency recognize a distinction between activities which may be desirable from the point of view of a participation strategy of development and those which the Congress has indicated should be financed with U.S. bilateral development aid funds?

Under what circumstances, if at all, does AID consider that activities are consistent with the reforms if they—

—fall within one of the sectors of emphasis but are not focused on enabling the poor to participate in development;
—fall outside the sectors of emphasis, but are focused on enabling the poor to participate in development;
—aim at the poor but incidentally benefit also some of the rich;
—benefit the urban poor;
—require construction of physical infrastructure;
—focus entirely on the poorest people;
—exclude the poorest people;
—benefit large farmers;
—call for mechanization;
—are neutral with respect to the beneficiaries, but the poor can be expected to be among those who benefit?

To what extent should development aid be allocated according to a country's ability and willingness to use funds in support of activities which encourage the poor to participate in development?

What role does AID envisage for local institutions, and how, if at all, should AID help to create or strengthen them?

To what extent does AID consider it part of its job to insure that local activity which it helps finance is supported by appropriate central systems and services? What is the proper role for the central government in a development process that relies so heavily on a multitude of local actions and institutions? What kinds of activities does the central government need to carry out to encourage and stimulate local growth.

In what ways does AID support the use of technologies appropriate to the developing countries?

What is AID's policy toward savings mobilization, and does AID programing reflect this policy?

To what extent is regional planning necessary for successful implementation of a participation strategy of development, and to what extent does AID's programing reflect elements of regional planning?

To what extent are the basic economic concepts supporting the view that small farms and small businesses and industries can be efficient producers reflected in AID projects?

How do employment considerations, such as those expressed in policy determination No. 48 of October 2, 1972, and related backup papers, get translated into AID projects?

How does AID view the relationship between agriculture and industry in developing countries, especially as it affects rural development?

What is the Agency's position with respect to problems of land tenure?

What does the Agency consider to be the appropriate roles for technology and institutional development in increasing agricultural production and spurring rural development?

How is the Agency handling the problem of quick increases in agricultural production versus the requirements of small-farm agriculture and broad scale rural development?

Does the Agency have a clear idea, when it supports a program of increased food production, who is going to receive the food or the increased income from its sale? How does the Agency handle matters of food supply, price, and distribution and their interrelationship?

To what extent does AID view integrated delivery of health and population services as essential to successful programs?

To what extent does AID view attention to the demand side of family planning as important in reducing population growth rates, and how much funding does the Agency plan to use for research and other activities focused on effective demand?

How does AID view the relationship if any between reduction in population growth and a participation strategy of development?

What role does AID envisage for public administration? What kinds of activities in the general field of public administration does the Agency consider consistent with or necessary for support of a participation strategy of development? What kinds does the Agency consider suitable for AID funding?

To what extent does the Agency plan to support education—the transmittal of relevant information or skills—through organizations not set up primarily for that purpose?

What role does AID see for higher education (1) as a means for supporting the new approach to development; (2) as appropriate for AID funding?

What is the Agency doing to apply the participation strategy of development to the following programs or activities:

—participant training;
—housing investment guaranties;
—labor programs;
—use of local currencies
—Moss amendment guaranties;
—section 211(d) grants;
—research?

To what extent if at all should the Agency apply the principles contained in section 102(b) of the Foreign Assistance Act to supporting assistance, Indochina, or Middle East funds?

AID procedures

How does AID plan to insure, through written guidelines or otherwise, that considerations which are central to a participation strategy of development (such as those referred to above) are built into the project process, including preparation and processing of DAP's and the major project papers (PID's PRP's, PP's, and project agreements), oversight of implementation, and evaluation?

What is being done to shorten the length of time it takes for a project proposal from the field designed in accordance with the reforms to be approved and implemented?

How are AID organization and personnel policies being adapted to the new directions? How is the current RIF affecting the Agency's ability to carry out the reforms?

How is AID insuring that its personnel at all levels are familiar with the basic economic model of participation in development which is at the heart of the reforms?

How is AID insuring that information about promising or successful development activities, on the one hand, and relatively less successful activities, on the other, which are illustrative of various aspects of this approach to development, are disseminated within the Agency?

How is AID insuring that AID-financed programs carried out by private and voluntary organizations are supportive of this approach to development?

How is the data AID uses, and the means used to collect and measure it, being adapted to the new directions? For example, does AID plan changes in the degree of aggregation or disaggregation of data, to what extent does AID plan to measure the output of its activities, what system is being developed to measure who is benefited and who is disadvantaged by AID-supported activities, to what extent is the social significance of data a factor in its use?

Difficulties

What are some of the problems AID has encountered, in attempting to implement the reforms, which are due to the inherent difficulty of the task?

To what extent has AID faced problems because it must rely heavily in the design of new activities on individual missions scattered all over the world?

To what extent do varying requirements imposed on the Agency from different elements in the Congress make it more difficult for the Agency to implement the reforms?

To what extent do requirements imposed on the Agency as part of the various roles it must play within the executive branch impinge on its ability to move as rapidly as possible toward full implementation of the reforms?

To what extent and in what ways, if at all, has the impact of the rise in prices of energy, food, and other commodities on developing countries affected their and AID's ability to implement programs in accordance with a participation strategy of development?

What special difficulties if any are presented in pursuing the reforms in the least developed countries?